-A3435-14 10/90

Analysis of 1989 Bank Marketing Expenditures

1990 Research Report

BANK MARKETING ASSOCIATION 309 West Washington Street • Chicago, Illinois 60606

BANK MARKETING ASSOCIATION
309 WEST WASHINGTON STREET, CHICAGO, ILL. 60606

An affiliate of
American Bankers Association

© Copyright 1990

TABLE OF CONTENTS

Analysis of 1989 Bank Marketing Expenditures

Page

How the Survey was Conducted 2

Budgeting For Bank Marketing 3

How to Use the Analysis 6

How Much is the Budget 7

Expenditures by Expenditure Type

Graphs of 1988 and 1989 Average Marketing Expenditures — Figure A 8
Average Marketing Expenditures by Expenditure Type and Asset Size — Table 1 9
Graphs of 1988 and 1989 Median Marketing Expenditure — Figure B 11
Median Marketing Expenditures by Expenditure Type and Asset Size — Table 2 12
Graph of Prime Media by Percentage of Total Marketing Budget — Figure C 13
Percentage of Reporting Banks' Budgets Spent on Each Expenditure Type in 1989 by Asset Size — Table 3 15

Where the Budget is Spent 16

Percentage of Banks Reporting Marketing Expenditures of each Type in 1989 by Asset Size — Table 4 18

Budget by Market Size and Type 19

Average Marketing Expenditures by Expenditure Type and Population Size — Table 5 20
Average and Median Marketing Expenditures by Population Size and Asset Size — Table 6 21
Average and Median Marketing Expenditures by Population Size and Market Type — Table 7 22

Budgeting for Services 23

Percentage of Reporting Banks' Budgets Spent on Each Service in 1989 by Asset Size — Table 8 23
Graphs of Share of Expenditures by Asset Group — Figure D 24
Percentage of Reporting Banks' Marketing Each Service in 1989 by Asset Size — Table 9 24
Average Marketing Expenditures by Service Type and Asset Size — Table 10 25
Median Marketing Expenditures by Service Type and Asset Size — Table 11 25
Average Marketing Expenditures by Service Type and Population Size — Table 12 25

Special Report - Use of Institutional Marketing 26

Topics Included in Institutional Allocation — Table 13 26
Aspects of Marketing Budget Affected — Table 14 27
Expenditures for Institutional Marketing — 1990 vs 1989 — Table 15 27
Average and Median Budget Increase — Figure E 28
Average and Median Budget Decrease — Figure F 28

Use of Advertising Agencies 29

Graphs of Sources for Creating Advertising — Figure G 29
Banks' Primary Source for Creating Advertising in 1989 — Table 16 30
Banks' Primary Source for Creating Advertising by Population — Table 17 30
Banks' Primary Source for Creating Advertising by Market Type — Table 18 30
How Agency was Compensated for Services in 1989 — Table 19 30

Compensation of Advertising Agencies 31

Average Expenditure for Fees & Commissions at an Outside Advertising Agency — Table 20 31

1988 and 1989 Marketing Expenditures 32

Average and Median Marketing Expenditures for 1988/1989 by Asset Size — Table 21 32

HOW THE SURVEY WAS CONDUCTED

This *Analysis of Bank Marketing Expenditures* contains more than 2,200 statistics on how banks in the United States spend their marketing budget to sell financial services. The survey which was used to gather the data from more than 800 banks and the resulting tables and graphs are designed to help bankers learn more about the marketing practices of financial institutions.

Using the Findings

This study is not designed to show how much your individual bank should spend for marketing. But it can be helpful in providing a frame of reference for setting your budget. As you read the statistics and tables, you will see certain patterns emerge in media usage and marketing as the size of the bank or its market changes.

As explained in the following pages, your bank's budget ultimately should be determined by your objectives and your marketing environment, including your market and your competitors.

You will, however, find this publication very helpful in building your budget, explaining it to your management, and in identifying overall trends in bank marketing expenditures.

Comparing Years and Trends

The format for most of the statistical tables in this 8th Edition of the *Analysis* correlates to those of the seven prior editions (1982 through 1988) so that you may compare changes in the data. If you would like to examine results of prior *Analyses*, you may order copies for the years 1982 through 1988 from the Bank Marketing Association.

Methodology

To ensure that information in the survey can be compared year to year, the methodology used in the 8th Edition is similar to prior years. The questionnaire was mailed to a random sample of banks nationwide. The sample was chosen by "nth" name selection from among two asset groups: Those banks under $100 million in assets (7,480) and those over $100 million in assets (3,357). The samples are divided into the two sampling groups to allow for a lower response rate among community banks as experienced in previous surveys.

After a follow-up mailing, responses were cut off May 14, 1990.

A total of 883 questionnaires had been returned at the cutoff date and, of these, 809 were useable returns. They were distributed among nine asset ranges as follows:

In $ millions	Number Responding	Percentage of Survey
Under $10	25	3%
$10 - $25	82	10
$25 - $50	120	15
$50 - $100	146	18
$100 - $250	239	30
$250 - $500	88	11
$500 - $1 billion	48	6
$1 billion - $5 billion	49	6
Over $5 billion	12	1

Each questionnaire was edited for accuracy and checked for completion, then the data were computer tabulated, examined for consistency and verified for accuracy.

Presentation of Statistics

The survey information is presented in several formats in this book to aid in understanding the data:

- Percentage terms
- Dollar averages
- Dollar medians

The **percentages** shown in the tables are based on the number of respondents answering each specific question (unless noted otherwise) and are rounded to the nearest whole percentage.

The word **"average"** in the tables indicates the arithmetic mean. The averages for each category are based on the number of banks answering each question. Since the number of banks varies from category to category, the sum of the individual line item averages may not be the same as the "total" averages.

The **median** is the middle value from a list of rank-ordered values. For example, consider the following values:

- $4,000
- $4,000
- $4,200
- $5,000
- $18,400

While the average is $7,120, the median is only $4,200. Because the average is sensitive to extreme values ($18,400 in this example) and the median is not, the median may at times represent a more appropriate estimate than the average.

You also will note that some tables include "minimum and maximum" values. These data are included to illustrate the range of respondent answers for certain questions so that the reader can examine both of these extremes in addition to the average and median.

All dollar figures in the tables are reported in thousands and are rounded to the nearest $100.

To be effective in marketing, your bank should operate with a written marketing plan. Once written, it provides many important advantages throughout the year.

It brings organization and efficiency to both the short term and long term activities of the bank. With a plan, staff and suppliers have time to prepare and implement programs, reducing the risk of errors or expenses that accompany unplanned marketing. The plan assures that your bank's marketing activities occur in an orderly sequence, reaching the right prospects, with the right products, at the right time, at the lowest expense possible.

A marketing plan provides administrative advantages within the bank, too. It alerts other staff when to prepare for certain customer responses and assures that other key individuals in the organization understand the bank's goals. Thus, the planning process should accommodate input from many different personnel and departments in the bank.

Creating a Plan

There are six key components in a marketing plan:

1. Situation Analysis
• Where are we today?
• What are our strengths and weaknesses?
• What opportunities and/or threats facing us?
2. Objectives
• Where do we want to be tomorrow?
• What specific goals do we want to achieve?
3. Strategy
• What are the available paths to reach our goals?
• What is our organizational game plan?
4. Tactics
• How will we implement the strategy?
• What action plans, timetables, activities, etc?
5. Budget
• How much will it cost?
• How will our resources be allocated?
6. Evaluation
• Is it working?
• How do results compare to stated objectives?

Once it is developed, your plan should be considered an evolutionary document. Each plan your bank prepares will be more accurate and thorough than earlier ones. For that reason consider the plan a flexible document that changes with the marketplace and your bank's growth.

Methods of Budgeting

The budgeting process assigns costs to the marketing activities or tasks that will implement the strategies you have selected to achieve your goals. Marketing budget decisions are among the most important that bank managers make because they can significantly affect the growth, profitability and strength of the bank.

The central decision, of course, is the amount of the budget. Determining the amount is a combination of both art and science and there are several methods which you can use alone or in combination to determine how much to spend and where to spend it. These various methods traditionally include rules of thumb which may seem relatively quick and easy to use, but each has certain shortcomings as described here. Nevertheless, they may be helpful as general guidelines or checks on budgeting decisions.

They can be classified into three general types, and several methods within the types:

1. Formula or Mathematical Techniques

a) ***Percentage of Assets Method:*** This convenient rule of thumb sets the budget based on the asset or deposit size of the bank. The formula commonly is stated as "1/10 of one per cent of assets" or "$1,000 in expenditures per million dollars of assets." This method can be helpful as a quick measure of how much a bank might spend, and it certainly is easy to use. It also reflects the likelihood that the larger the bank, the larger its marketing budget. However, it has many shortcomings. It does not take into account the other important factors which enter into planning, such as competitors' spending. Banks in a large urban market will usually spend more than banks of similar size in rural markets with less concentrated competition. Moreover, using current or forecasted assets as the basis of the budget ignores the purpose of marketing. Marketing expenditures, after all, should be affecting the level of assets, not the other way around.

b) ***Incremental Method:*** When advertisers take the previous year's budget, and add on an increase for inflation — say 5% to 10% — they are using another formula technique, the incremental method. This method is easy to use, and may sound persuasive to those who are not involved in marketing but have a role in reviewing the budget. The underlying assumption, of course, is that this year's goals and strategies can imitate last year's. That's

probably only true if you are convinced that past performance was so good that you only need to repeat the same strategies and tactics. But simply doing 'more of the same' may allow your marketing to become stale, or to repeat ineffective programs since no evaluation takes place. Furthermore, most banks will want to adjust their marketing programs in the face of external changes such as legislative developments, changing consumer markets, competitors' action and other factors.

2. Subjective Techniques

a) ***"All We Can Afford" Method:*** The most common subjective budgeting method is for management to simply give marketing whatever is left over after other expenses have been budgeted and a satisfactory profit planned. This method relegates marketing to secondary status and does not consider the potential benefits which can be gained from effective marketing. It is possible that with this method the resulting budget will be too small to be effective. Or, at the other extreme, more may be spent than is necessary. For instance, a point can be reached in newspaper advertising (or other media) where increasing the number of insertions may not be incrementally profitable. Furthermore, budgets that fluctuate significantly from year to year will make continuity and the attainment of long term objectives very difficult to achieve.

b) ***Competitive Parity Method:*** This method allows you to 'keep up with the competition' by matching them in their marketing expenditures. It may sound like a logical basis for spending, but in reality it allows your competitors with different resources and objectives to dictate your budget. The assumption underlying this approach is that all financial institutions in the marketplace have the same opportunities for profitable marketing and the same objectives. More likely, both your opportunities and your objectives differ from competitors' and thus this method can fail to achieve marketing success. Nonetheless, knowing competitors' expenditures is a key ingredient in preparing your own bank's plan.

While all of the above methods have their advantages, overall they limit the bank's flexibility and do not relate your marketing expenditures to your specific bank's marketing objectives. And, while a budget created by any of these methods may be easily approved by management, little planning or analysis has taken place. Thus, they are most useful in creating parameters to be used in conjunction with a more analytical procedure such as the following:

3. Objective and Task Method

This method tailors the marketing budget to the specific objectives of your bank and its market.

The technique requires that you first determine the marketing objectives of your bank. Next, create strategies and tactics which you believe will achieve your objectives, then assign costs to the marketing activities you will use to achieve your goals. While advertising usually accounts for the largest portion of the marketing budget, don't overlook the other marketing functions: public relations, sales promotion, sales training and marketing research.

Costs are assigned to these functions based on the contribution you anticipate they will make in achieving the objectives. Thus, the budget becomes the marketing plan in dollar terms.

Allocating the Budget

Additional budget decisions have to do with how the total budget is allocated. Types of allocations include:

- **Functional:** apportioning the budget between advertising, public relations, sales promotion, selling, and marketing research.
- **Media:** allocation within functions to various advertising media, (newspapers, radio, TV, etc.) sales promotion tools and public relations vehicles.
- **Product:** assigning funds to individual or groups of products; among new versus established bank products.
- **Geographic:** local, regional, national

Many of the tables in this *Analysis* are organized to present the data by these four types of allocations to make your comparisons easier and more meaningful.

Once your budget is prepared, the next step is to secure management's approval.

Approval of the Budget and Plan

Your plan won't be successful unless it is approved and supported by management. Keeping the following points in mind will help achieve the plan's acceptance by management.

- Anticipate management's objections and prepare satisfactory responses for them.
- Position marketing expenditures not simply as costs, but as an investment that builds the foundation for future profits.
- Do your homework. Know the history of the bank's marketing expenditures and those of its competitors in prior years. Learn about successes and failures, which media have been productive, and which have not. Perhaps most important, be on the same 'wavelength' as management in terms of

what the bank wants to accomplish. Know the marketing problems and formulate strategies to solve them.

- Be able to justify the marketing expenditures you recommend. In effect, you are competing for funds or other resources with other departments of the bank.
- Develop arguments to counter proposals to stop or curtail marketing activities during temporary adverse conditions.
- Maintain your credibility and submit realistic numbers. Don't 'go in high.' Stress that your budget is not padded and that it represents the least expense that can be expected to achieve the desired objectives.
- Track and evaluate marketing activities. Management is more likely to accept your budget if it understands you watch closely over the money that is spent.

Using Your Plan

Marketing opportunities seem to change constantly. But don't merely react to events on a day-to-day basis. Use your marketing plan as a roadmap for actionable results, allocating your resources based on your stated objectives.

An effective marketing plan is not set in stone, but rather can be adapted to changing economic and competitive conditions. When circumstances change, be ready to cut or expand your budget to meet changing revenue or profit requirements — or to take advantage of new marketing opportunities.

The planning process in your bank should be an ongoing and dynamic activity. The plan is a working document which should be used daily, updated and reviewed, rather than tucked away in a file once it is approved. Most marketing plans are threadbare long before the year is over. If your marketing plan is written properly, it will contain quantifiable objectives which can be measured periodically throughout the year. Review your program results frequently — at least on a monthly basis — to track your progress in time to alter the plan if necessary.

Most managements also will ask for a periodic budget review to measure variances, whether below or above the budget amounts. If the expenditures are exceeding budget, find the reason: Have the underlying budget assumptions changed? Are unforeseen influences causing the variance? If so, perhaps the objectives should be changed. Or, if goals are being met or exceeded, perhaps the budget can be reduced, or allocated to another objective. To many managements, being under-budget can be as bad as being over-budget. Failure to implement planned programs can improve the expenditures outlook, but results may suffer significantly later in the year.

In summary, systematic planning is evolutionary. Each time you prepare a plan, and each time you revise it during implementation, you will improve your own skills and the effectiveness of your bank's marketing program.

You will find the *Analysis* to be a helpful reference guide both at planning time and throughout the year as you make budgeting decisions.

You can obtain maximum benefit from the study if your marketing budget is broken down into the same basic categories as those in the survey. These categories have been built around generally accepted industry definitions to maintain consistency among responding banks. The basic categories used in the *Analysis* are:

- Advertising
- Public Relations
- Sales Promotion
- Staff Sales/Customer Relations Training
- Marketing Research

Defining Terms

When comparing your expenditures to those in this study, it is important to use consistent terms.

For example, when comparing total expenditures for advertising, make certain that your bank's advertising total includes the same line items as the *Analysis* and that you have not included any additional items covered in other functional areas, such as public relations.

You may find it convenient to use the table format and descriptions we have used, such as in Table 1, to set up your own 1991 budget to ensure that the data will be comparable in the future.

A special word on advertising . . . the largest part of your marketing budget will most likely be for advertising. In fact, in this year's study, 66% of responding banks' marketing budget — on average — goes to advertising.

Budgeting decisions for advertising have become more and more complex in recent years. While broadcast television can be very effective, especially for mass marketing, cable television is a growing force and frequently can reach narrower segments. Direct marketing is relatively expensive when compared to other media, but it can allow very specific target selection. And, computers are offering limitless combinations of lists for more effective use of direct mail. New magazines are emerging with more regional, state and city editions available. Radio stations can change formats — and audiences — periodically. The point is that media planning is dynamic because the media themselves are changing and the media mix may differ depending on the service you are selling. More of your attention probably will, of necessity, be directed to the complex planning and budgeting function for advertising than to any other.

Survey Limitations

While the survey sampling was taken among both BMA members and nonmembers, it can be assumed that there is a higher response rate among members than nonmembers. Because BMA members may tend to spend more or differently on marketing than nonmembers, the reader should take this potential bias into consideration.

Care was taken to make the definitions of expenditures universally acceptable but at the same time specific enough to be useful to the reader. Nevertheless, respondents may interpret questions differently, indicating an expenditure in an incorrect category.

Finally, the study is not a census of actual expenditures, but more a sampling of data from responding banks' records. As such it represents only a portion of all U.S. banks. The tables and individual statistics therefore should be used in relative terms to make comparisons rather than in absolute terms.

Two key tables of this report, Tables 1 and 2 on pages 9 and 12, show the average and median marketing expenditures among nine asset ranges of responding banks.

In addition to showing totals for each asset range, the data show how much (average or median) was spent in each of 30 different marketing categories within five major functional areas:

- Advertising
- Public Relations
- Sales Promotion
- Staff Sales/Customer Relations Training
- Marketing Research

The nine asset ranges are at the top of each column. To learn, for example, the average expenditure (Table 1) spent for newspaper advertising by banks with $400 million in assets, read across the top of the proper asset range ($250 million to $500 million), then down to "Newspapers" within the advertising category.

In this case, the average expenditure shown is $55,900. Using the same approach, you learn that the median (or middle value) expenditure among responding banks was $44,400 (Table 2).

At the bottom of both tables, you will find the total marketing expenditure for the year. Because not all respondents included detail for each line item, the averages in each of the line items will not necessarily sum to the bottom "total" line in these two tables. Nevertheless, the "total" line and each individual category amount represent the average (or median) for all banks reporting an expenditure.

Average Expenditures

Table 1 and the graphs in Figure A show the average marketing expenditure for banks in each asset range. Banks with less than $10 million in assets spent, on average, $15,900 on marketing while the largest banks, those over $5 billion, spent $7,502,300.

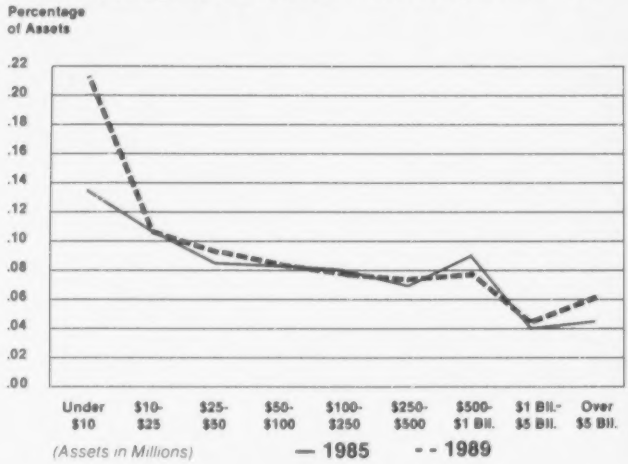
While both the smallest and the largest banks spent more than in the prior year ($12,400 and $5,333,400 respectively), banks in the remaining asset ranges spent amounts which in some cases were higher and in others lower than the prior year, as can be seen in Figure A.

The totals at the bottom of page 9 can be used to create an index relating the size of the bank to the average expenditure for each asset range. For example, the average marketing expenditure for banks in the $250 million to $500 million asset range is $272,700.

That figure can be divided by the midpoint of the asset range ($375 million which equals .00072 or .072%). This figure indicates that, on average, banks in this asset range have a marketing budget equal to about .072% of their total assets. (Note that the midpoint for banks under $10 million is assumed to be $7.5 million and for those banks over $5 billion in assets, it is assumed to be $12.5 billion).

The other asset ranges and the index for each for the years 1985 and 1989 are shown in the following table:

Index of Marketing Budget
As Percentage of Bank Assets - 1985 Compared to 1989



Thus, the marketing budget as a percentage of total bank assets declines as the size of the bank increases. This is likely due to the effect of economies of scale in larger banks . . . media buys, agency services and other expenditures become more efficient with larger budgets.

Banks also shift their budgeting emphasis among the various marketing functions as they grow. This aspect is evident in Table 3 and reviewed in the text accompanying it.

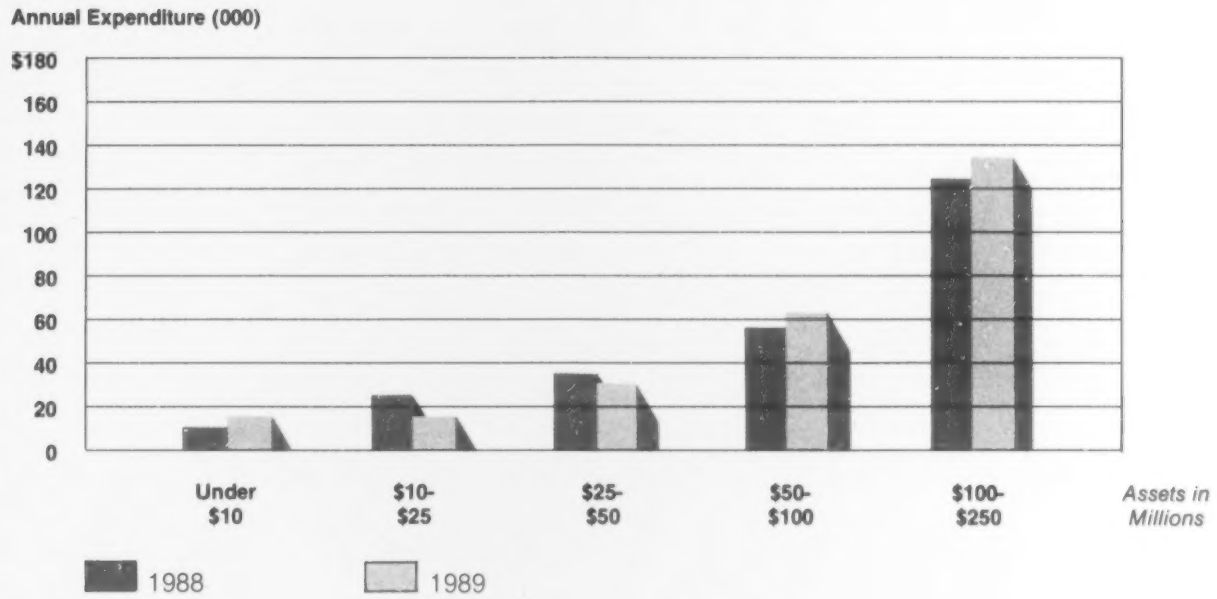
Although it demonstrates an important phenomenon of budgeting by banks, the index should be used only in the very broadest sense for comparisons and not as a formula for budgeting your bank's expenditures. Because the data are derived from wide asset ranges, there are likely to be significant budget variances within each of the nine ranges.

Furthermore, as described earlier in "Budgeting for Bank Marketing," (Page 3) the budgeting process involves much more than simply allocating a percentage of assets to marketing. Other tables later in this report show how the type and size of market also influence the size of the budget within each asset category.

1988 AND 1989 AVERAGE MARKETING EXPENDITURES

The two graphs below compare the total average expenditures for 1988 and 1989 by asset size (Data for 1989 from Table 1; text on Page 7).

Figure A



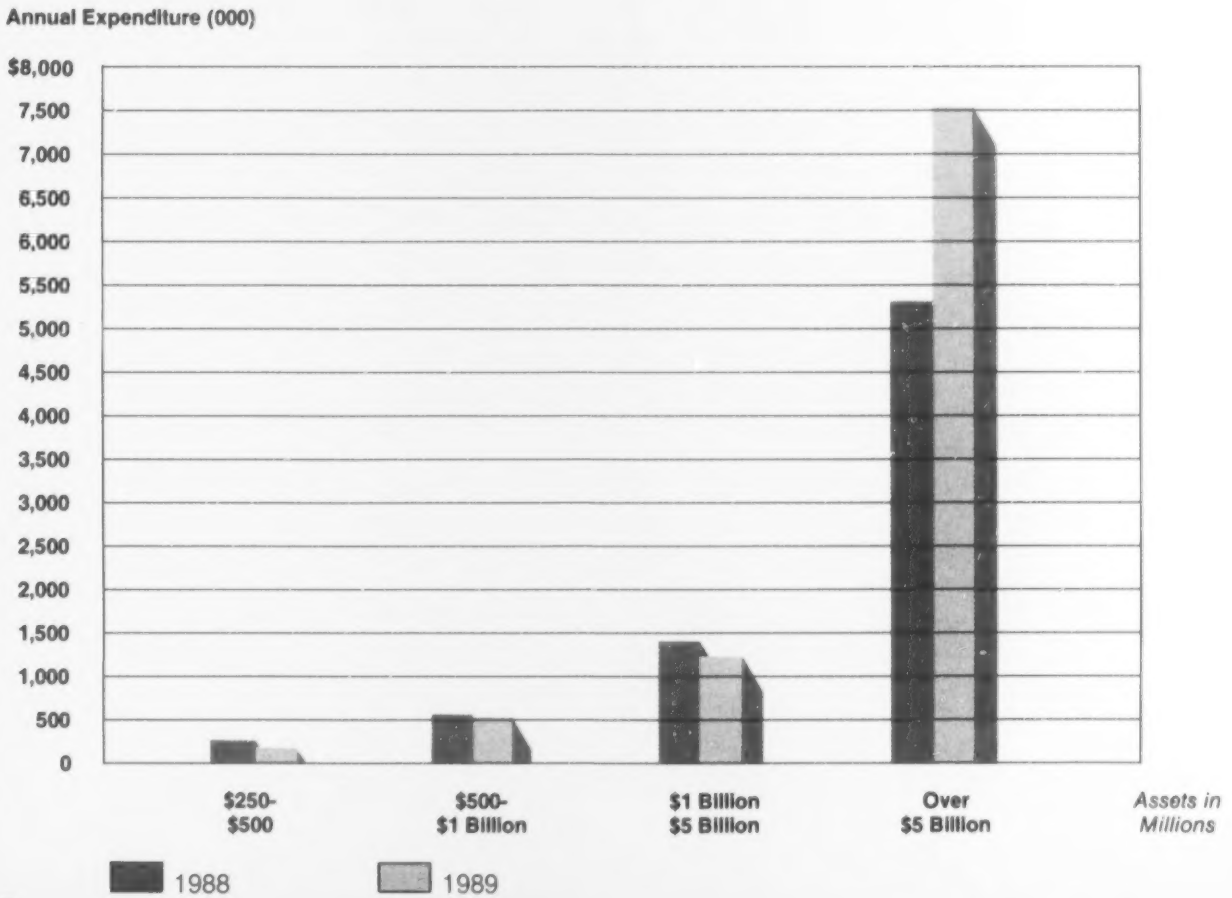


TABLE 1
AVERAGE MARKETING EXPENDITURES BY EXPENDITURE TYPE AND ASSET SIZE
(All Reporting Banks - 1989, $000)

Expenditure Type	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
ADVERTISING									
Magazines (consumer, trade, etc.)	$1.8	$ .8	$ 2.6	$ 2.6	$ 4.1	$ 9.6	$ 19.4	$ 42.7	$ 325.5
Directories (telephone, bank, city, etc.)	1.1	1.1	1.3	2.1	3.8	7.5	12.7	28.5	64.4
Newspapers	3.9	4.6	6.9	11.5	23.2	55.9	112.2	264.0	1201.4
Television	1.4	3.0	5.5	7.5	14.0	31.4	69.6	244.8	912.9
Radio	2.5	3.0	5.1	8.3	15.2	24.5	56.4	105.8	486.3
Direct Response (direct mail, literature, lists, postage, stuffers, telemarketing)	3.1	1.7	2.7	2.9	6.8	14.1	42.2	85.0	1048.7
Outdoor & Transit (billboards, taxi/bus, train cards, etc.)	1.1	5.4	3.8	5.2	10.5	17.3	34.0	52.6	131.6
Production Expenses (artwork, talent, etc.)	4.2	2.7	4.8	4.2	10.0	22.8	65.7	141.7	832.5
Fees & Commissions (advertising agency, media representative, consultants, etc.)	3.5	3.0	5.6	5.1	12.2	19.8	32.3	99.3	603.0
All Other Advertising	1.5	2.7	3.1	5.2	8.7	17.3	41.5	58.8	1106.7
Sub-Total for Advertising	**9.3**	**10.2**	**18.9**	**33.4**	**74.5**	**157.6**	**382.0**	**886.6**	**5253.9**
PUBLIC RELATIONS									
Stockholder/Investment Community (annual report, meetings, etc.)	.7	1.7	2.0	3.2	8.4	17.9	46.2	63.7	267.3
Media Relations (press releases, press conferences, etc.)		.6	.6	.6	1.5	2.5	5.6	16.9	84.3
Publications (community service publications, newsletters, etc.)	.8	1.3	1.2	2.8	6.1	7.8	16.0	45.7	116.5
Special Events (seminars, anniversaries, open house, etc.)	1.9	2.4	2.8	3.9	9.8	16.4	26.2	47.7	249.5
Public Relations Consultants Fees	4.3	3.9	2.8	1.9	4.7	18.7	13.5	32.6	63.0
Donations (includes donation advertising—schools, churches, civic clubs)	2.3	2.2	5.1	7.3	14.6	27.3	36.2	72.4	640.4
All Other Public Relations	1.1	3.6	4.9	7.0	9.9	21.9	28.2	32.0	128.5
Sub-Total for Public Relations	**3.8**	**5.0**	**9.3**	**15.5**	**34.4**	**61.6**	**108.1**	**181.7**	**1184.6**
SALES PROMOTION									
Net Premium Expense (cost of premiums less revenues from premium sales)		3.8	2.1	5.0	6.0	13.1	14.3	34.3	91.2
Newcomer Services (non-salary only)	.5	.6	.5	.8	1.5	4.9	4.3	14.7	30.0
Specialties (giveaways, such as calendars, pens, etc.)	3.1	2.7	3.8	5.3	9.8	14.4	17.3	23.4	71.3
Point-of-Sale Materials (displays, banners, brochures, etc.)	2.4	1.0	1.8	2.3	5.1	10.4	26.8	47.0	524.5
Employee Incentives (non-salary expenses directly related to employee sales/customer relations efforts)	1.0	1.9	2.0	3.3	8.3	10.6	27.1	48.3	308.7
All Other Sales Promotion Expenses		3.0	5.6	4.5	10.1	19.4	19.0	35.8	249.0
Sub-Total for Sales Promotion	**3.4**	**3.8**	**5.8**	**9.5**	**21.1**	**35.3**	**59.2**	**105.8**	**632.9**
STAFF SALES/CUSTOMER RELATIONS TRAINING									
External Expenses (consultant fees, materials, facilities, etc.)	1.7	1.6	2.6	3.3	6.4	9.3	15.0	27.5	185.8
Non-Salary Internal Expenses (development, printing, classroom, etc.)	.6	1.2	1.5	1.5	2.8	4.4	7.9	15.0	56.5
All Other Sales Staff/Customer Relations Training	1.2	1.8	1.3	4.4	4.9	4.8	11.0	10.7	200.0
Sub-Total for Staff Sales/Customer Relations Training	**1.6**	**1.9**	**2.8**	**3.9**	**7.8**	**10.5**	**22.8**	**38.6**	**279.2**
MARKETING RESEARCH									
External Expenses (supplier expenses such as consultants, field firms, data processing firms, etc.)	2.0	1.9	3.4	3.9	5.3	8.2	18.2	60.0	301.2
Non-Salary Internal Expenses	.2	1.6	1.0	1.0	1.9	4.1	10.2	21.2	60.9
All Other Marketing Research	3.0	3.0	3.1	2.4	3.4	5.3	7.4	3.5	15.3
Sub-Total for Marketing Research	**6.3**	**2.2**	**3.0**	**3.2**	**5.1**	**23.5**	**19.3**	**60.8**	**335.4**
All Other Non-Salary Marketing Expenses	3.0	1.0	5.5	8.8	18.5	13.0	42.9	37.6	780.8
Total Marketing Expenditures	**15.9**	**18.2**	**34.7**	**61.9**	**136.9**	**272.7**	**587.7**	**1237.2**	**7502.3**

Median Expenditures

Because the median represents the middle value of a rank ordered set of statistics, it can be a useful tool to provide another dimension to measuring how banks spend their marketing dollars. Table 2 and the graph in Figure B show the median amounts banks spent on marketing in 1989.

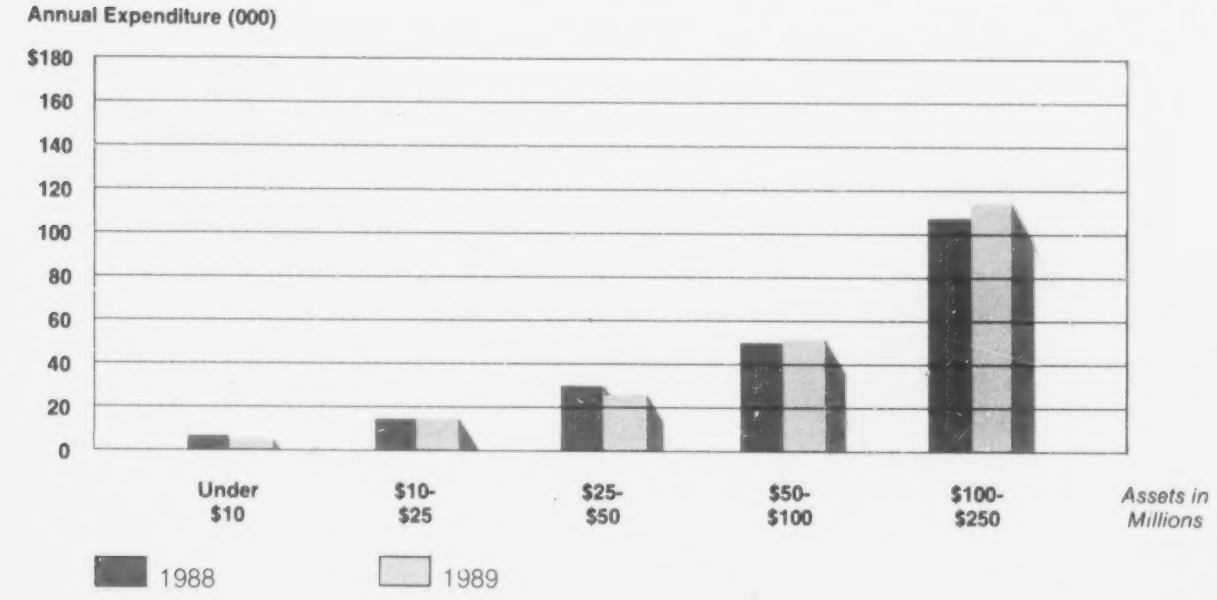
The median ranges from a low of $7,100 for banks with less than $10 million in assets to a high of $7,230,000 for banks with more than $5 billion in assets.

The median expenditure for each of the individual line items also is shown in Table 2. For example, the median expenditure for newspaper advertising among banks with $500 million to $1 billion assets is $87,000. As noted earlier, median expenditures are typically lower than the computed average expenditure for any particular category.

1988 AND 1989 MEDIAN MARKETING EXPENDITURES

The two graphs below compare median expenditures by asset size for 1988 and 1989 (Data for 1989 from Table 2; text on Page 10).

Figure B



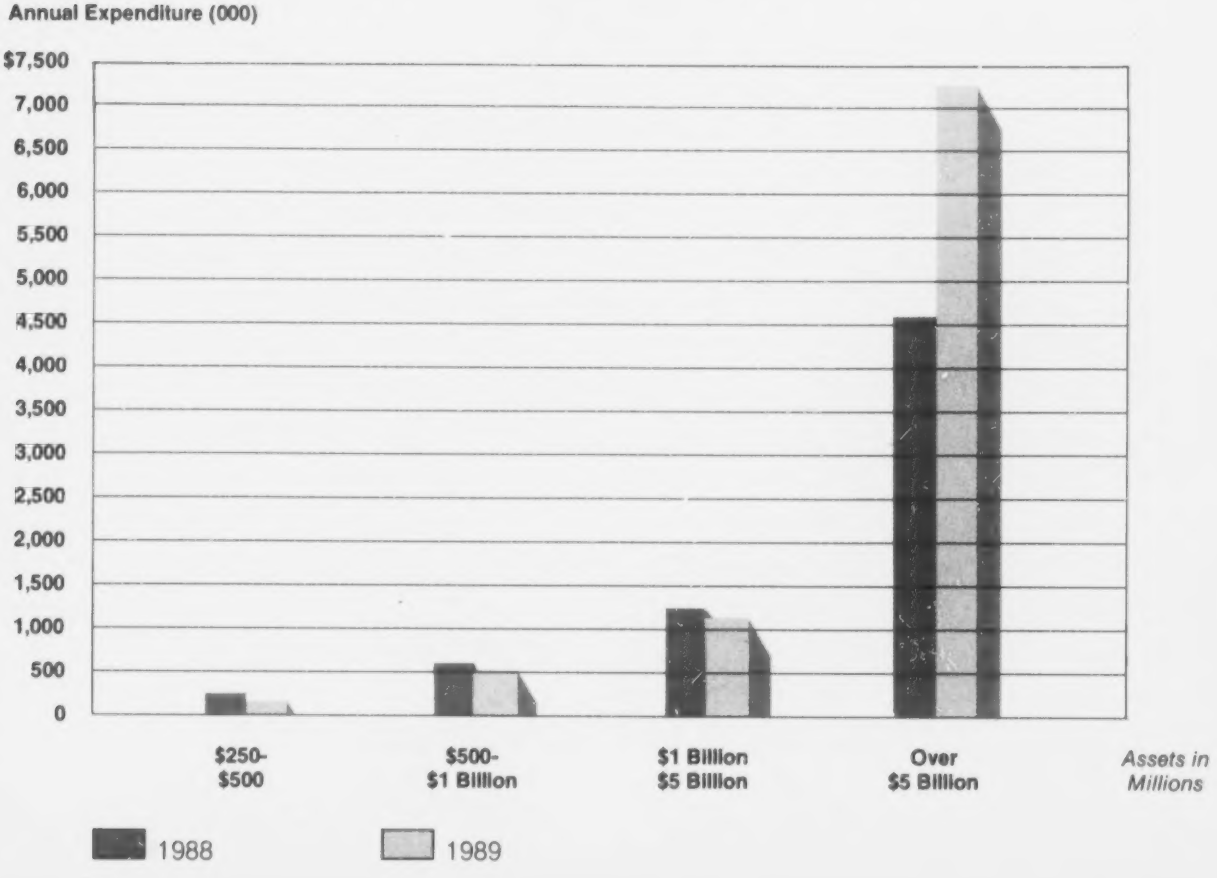


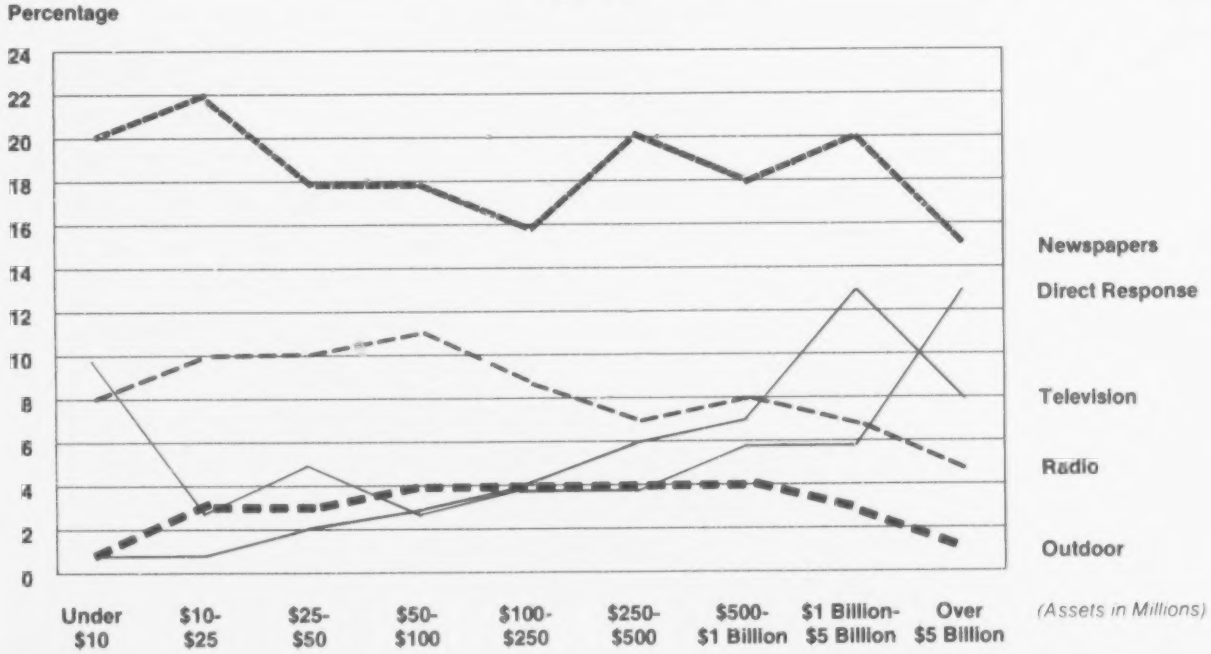
TABLE 2
MEDIAN MARKETING EXPENDITURES BY EXPENDITURE TYPE AND ASSET SIZE
(All Reporting Banks - 1989, $000)

Expenditure Type	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
ADVERTISING									
Magazines (consumer, trade, etc.)	$1.0	$1.0	$ 1.0	$ 1.0	$ 1.9	$ 4.7	$ 10.0	$ 24.0	$ 150.0
Directories (telephone, bank, city, etc.)	.5	2.0	1.0	1.5	3.0	5.4	9.3	20.2	70.0
Newspapers	1.0	3.8	5.0	10.0	17.4	44.4	87.0	200.0	1000.0
Television	1.1	2.0	3.6	3.0	7.2	15.0	47.7	174.3	500.0
Radio	1.5	1.8	4.0	7.9	12.5	18.0	36.5	70.0	452.0
Direct Response (direct mail, literature, lists, postage, stuffers, telemarketing)	.5	1.0	1.1	2.0	4.3	10.0	18.7	51.9	600.0
Outdoor & Transit (billboards, taxi/bus, train cards, etc.)	1.2	1.6	1.0	3.6	7.2	13.9	25.2	37.0	30.5
Production Expenses (artwork, talent, etc.)	5.2	1.0	2.0	2.0	5.0	18.0	54.6	114.9	300.0
Fees & Commissions (advertising agency, media representative, consultants, etc.)	.4	1.0	3.0	4.0	7.5	19.2	29.0	50.0	670.0
All Other Advertising	.5	1.8	1.5	3.3	6.0	9.1	24.2	35.0	248.0
Sub-Total for Advertising	**3.0**	**8.0**	**14.5**	**28.5**	**63.6**	**138.2**	**316.0**	**800.0**	**4575.0**
PUBLIC RELATIONS									
Stockholder/Investment Community (annual report, meetings, etc.)	.5	1.0	1.0	1.4	3.0	12.4	41.0	25.0	270.3
Media Relations (press releases, press conferences, etc.)		.6	.3	.5	1.0	1.0	1.0	4.3	35.0
Publications (community service publications, newsletters, etc.)	.5	1.0	1.0	1.4	2.5	5.0	5.0	20.0	60.0
Special Events (seminars, anniversaries, open house, etc.)	1.0	1.0	2.0	2.0	5.1	10.0	16.0	30.5	112.2
Public Relations Consultants Fees	2.0	2.0	3.0	1.0	2.0	17.9	10.0	10.0	42.0
Donations (includes donation advertising—schools, churches, civic clubs)	1.0	1.5	3.5	5.0	10.0	20.0	20.0	32.1	200.0
All Other Public Relations	.2	2.0	4.0	4.5	5.7	7.5	25.0	21.0	93.0
Sub-Total for Public Relations	**2.0**	**3.0**	**7.0**	**11.3**	**25.3**	**50.0**	**95.0**	**131.3**	**500.0**
SALES PROMOTION									
Net Premium Expense (cost of premiums less revenues from premium sales)		2.0	.8	2.0	4.1	9.7	11.4	15.0	74.0
Newcomer Services (non-salary only)	.5	.5	.5	.6	1.0	1.0	2.0	10.0	20.0
Specialties (giveaways, such as calendars, pens, etc.)	2.0	2.0	2.4	3.8	8.0	12.5	16.5	24.0	10.0
Point-of-Sale Materials (displays, banners, brochures, etc.)	3.0	1.0	1.0	1.4	3.0	5.3	18.6	35.0	222.0
Employee Incentives (non-salary expenses directly related to employee sales/customer relations efforts)	.5	1.2	1.0	1.2	2.5	6.6	15.0	15.0	100.0
All Other Sales Promotion Expenses		1.5	1.7	2.0	4.2	7.1	8.0	24.5	249.0
Sub-Total for Sales Promotion	**2.0**	**2.6**	**3.8**	**6.5**	**15.6**	**27.4**	**47.6**	**61.0**	**300.0**
STAFF SALES/CUSTOMER RELATIONS TRAINING									
External Expenses (consultant fees, materials, facilities, etc.)	1.0	1.0	1.0	1.5	2.5	5.0	10.0	10.0	95.0
Non-Salary Internal Expenses (development, printing, classroom, etc.)	.5	1.0	1.0	1.0	1.2	5.0	6.0	5.0	42.0
All Other Sales Staff/Customer Relations Training	.3	1.0	1.0	2.0	2.0	2.0	3.9	9.0	50.0
Sub-Total for Staff Sales/Customer Relations Training	**.5**	**1.3**	**1.2**	**2.0**	**4.0**	**5.9**	**10.0**	**15.0**	**137.0**
MARKETING RESEARCH									
External Expenses (supplier expenses such as consultants, field firms, data processing firms, etc.)	2.0	2.0	2.0	2.0	4.0	5.0	13.0	40.0	290.0
Non-Salary Internal Expenses	.2	1.0	1.0	1.0	1.0	3.0	2.0	10.0	33.0
All Other Marketing Research	3.0	3.0	.1	2.0	1.4	2.0	6.8	3.0	10.0
Sub-Total for Marketing Research	**3.0**	**2.0**	**1.0**	**1.7**	**3.5**	**5.3**	**13.0**	**38.0**	**340.0**
All Other Marketing Expenses	3.0	1.0	4.6	2.6	8.2	10.4	30.2	20.0	671.5
Total Marketing Expenditures	**7.1**	**15.0**	**27.8**	**53.2**	**115.5**	**234.0**	**515.0**	**1135.0**	**7230.0**

PRIME MEDIA BY PERCENTAGE OF TOTAL MARKETING BUDGET

(Taken from Table 3)

Figure C



Percentage Allocations

Table 3 shows another dimension of how banks budget for marketing - the percentage of the total allocated to each of 30 marketing categories and how the size of the bank influences allocation decisions.

Advertising

As in prior years of the *Analysis*, advertising accounts for the largest portion of the five general marketing categories. Table 3 shows that as the size of the bank increases, so does the percentage of the budget allocated to advertising.

Banks with less than $250 million in assets spend 54% to 56% of their budget on advertising, compared to banks over $250 million which spend from 58% to 72% of their budget on advertising.

Within the advertising function, the single item receiving the largest share of the budget — as in prior years — is newspaper advertising, which ranges from 15% to 22% of the total marketing budget. The graph in Figure C reveals how the allocations for primary media change with the asset size of the bank.

Radio, which takes the second largest share of the advertising budget overall, is most used by banks of up to $250 million in assets, and usage declines somewhat to only 5% of the marketing budget in those banks with more than $5 billion in assets.

Direct response, accounting for about 6% of the average budget, increases to as high as 13% of the marketing budget at banks over $5 billion in assets.

Use of television also increases with bank size, from a low of only 1% of the budget for the smaller banks to as high as 13% of the budget for those banks between $1 billion and $5 billion in assets.

Production expense accounts for more than 5% of the budget overall, with smaller banks reporting only 3% to 5%, while larger banks spend 7% to 10%.

Fees or commissions for agencies also take a significant share, more than 4% of the overall budget, with smaller banks allocating 2% to 3% and larger banks allocating 4% to 7%.

Outdoor advertising accounts for approximately the same percentage as in the prior year, about 3%. Lowest shares are in the smallest and very largest banks, both 1%, with banks in the middle asset ranges allocating about 4%.

Public Relations

As the size of the bank increases, the percentage of the budget allocated to public relations tends to decrease. For example, among banks with less than $100 million in assets, 22% to 26% of the marketing budget is accounted for by public relations expenditures.

However, the amount decreases from 25% among those banks with $100 million to $250 million in assets to only 13% of the budget for banks with more than $5 billion in assets.

Within public relations, the single largest share of the budget is accounted for by donations (including

donation advertising such as for schools, churches or civic clubs). However, the percentage allocated to donations declines with the size of the bank, from as high as 13% for banks with $25 million to $50 million in assets to 4% among those banks with $1 billion to $5 billion in assets.

Special events, such as seminars, open house celebrations, and anniversaries account for 5% to 6% of the smaller banks' budgets, but decline somewhat to 2% to 4% of the larger banks'.

Expenditures for stockholder and the investment community relations also account for a significant share of public relations expenditures, increasing from 1% among banks with less than $10 million in assets to as high as 5% at banks with $500 million to $1 billion.

Expenses for media relations and public relations consultants' fees account for less than 1% of the total marketing budget among all responding banks.

Sales Promotion

Expenditures in this category typically are for premiums, giveaways (such as key chains, pens, etc.), newcomer services, point-of-sale materials and employee incentives.

Overall, they account for 14% to 15% of the smallest banks' budgets, compared to 8% to 14% of the largest banks', with the percentage generally declining as the size of the bank increases.

Within this category, specialties — such as calendars and pens — account for as much as 10% to 11% of the smaller banks' budgets. But expenditures decline to only 4% to 6% at medium size banks and to less than 1% of the marketing budget at the very largest banks.

Incentives paid to employees account for about 2% of the total marketing budget and premiums about 1% while newcomer services account for less than 1% of the budget on average.

Staff Sales/Customer Relations Training

The portion of the marketing budget allocated to training ranges from 2% to 4%, with the largest portions allocated by smaller banks. This year's allocations are roughly the same as for the prior year. The decreasing proportion at larger banks probably does not represent any lessened emphasis on training, but simply economies of scale. Many training expenses are fixed costs, such as for videotapes and training manuals, and the amount does not increase proportionately with bank size.

Marketing Research

Expenditures for marketing research are slightly larger for research than for staff sales/customer relations training, and the percentage allocation generally increases with the size of the bank. Smaller banks spend 1% to 2% annually on marketing research, while larger banks spend 3% to 5%. Within this category, the largest portion of expenditures occurs for consultants, field work and data processing.

TABLE 3
PERCENTAGE OF REPORTING BANK BUDGETS SPENT ON EACH EXPENDITURE TYPE IN 1989 BY ASSET SIZE

(All Reporting Banks - 1989, Percentages)

Expenditure Type	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
ADVERTISING									
Magazines (consumer, trade, etc.)	3%	1%	2%	1%	1%	2%	2%	2%	4%
Directories (telephone, bank, city, etc.)	4	3	3	3	2	2	2	2	1
Newspapers	20	22	18	18	16	20	18	20	15
Television	1	1	2	3	4	6	7	13	8
Radio	8	10	10	11	9	7	8	7	5
Direct Response (direct mail, literature, lists, postage, stuffers, telemarketing)	10	3	5	3	4	4	6	6	13
Outdoor & Transit (billboards, taxi/bus, train cards, etc.)	1	3	3	4	4	4	4	3	1
Production Expenses (artwork, talent, etc.)	4	3	5	4	5	7	10	10	9
Fees & Commissions (advertising agency, media representative, consultants, etc.)	3	2	5	3	5	4	4	6	7
All Other Advertising	1	3	2	3	2	2	2	2	4
Sub-Total for Advertising	**56**	**56**	**54**	**54**	**54**	**58**	**65**	**72**	**70**
PUBLIC RELATIONS									
Stockholder/Investment Community (annual report, meetings, etc.)	1	3	2	3	3	4	5	3	2
Media Relations (press releases, press conferences, etc.)	*	*	*	*	*	*	*	1	1
Publications (community service publications, newsletters, etc.)	*	1	1	2	2	2	1	2	1
Special Events (seminars, anniversaries, open house, etc.)	6	6	5	4	5	4	4	3	2
Public Relations Consultants Fees	2	2	*	*	*	1	*	1	*
Donations (includes donation advertising—schools, churches, civic clubs)	12	10	13	10	10	9	6	4	6
All Other Public Relations	1	3	4	4	3	2	1	1	*
Sub-Total for Public Relations	**22**	**24**	**26**	**24**	**25**	**22**	**18**	**15**	**13**
SALES PROMOTION									
Net Premium Expense (cost of premiums less revenues from premium sales)	*	1	1	1	1	1	1	1	1
Newcomer Services (non-salary only)	*	*	*	*	*	*	*	*	*
Specialties (giveaways, such as calendars, pens, etc.)	11	10	8	7	6	4	2	1	*
Point-of-Sale Materials (displays, banners, brochures, etc.)	2	1	2	2	2	3	4	3	5
Employee Incentives (non-salary expenses directly related to employee sales/customer relations efforts)	1	1	1	2	3	2	2	2	1
All Other Sales Promotion Expenses	*	2	2	1	1	2	1	*	*
Sub-Total for Sales Promotion	**14**	**15**	**14**	**14**	**14**	**13**	**10**	**8**	**8**
STAFF SALES/CUSTOMER RELATIONS TRAINING									
External Expenses (consultant fees, materials, facilities, etc.)	2	1	2	2	1	1	1	1	1
Non-Salary Internal Expenses (development, printing, classroom, etc.)	1	1	1	1	1	*	*	*	*
All Other Sales Staff/Customer Relations Training	1	1	1	1	1	*	*	*	*
Sub-Total for Staff Sales/Customer Relations Training	**3**	**3**	**4**	**4**	**3**	**2**	**2**	**2**	**2**
MARKETING RESEARCH									
External Expenses (supplier expenses such as consultants, field firms, data processing firms, etc.)	1	1	1	*	1	1	2	3	4
Non-Salary Internal Expenses	*	*	*	*	*	*	*	*	*
All Other Marketing Research	1	*	*	*	*	*	*	*	*
Sub-Total for Marketing Research	**5**	**1**	**2**	**2**	**2**	**5**	**3**	**4**	**4**
All Other Marketing Expenses	1	*	1	2	2	1	2	1	2
Total Marketing Expenditures	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

* = Less than 0.5%

The statistics in Table 4 show the percentage of banks which reported an expenditure on each of the marketing categories, as compared to Table 3 which showed the percentage *amount* spent on each category. Thus, Table 4 is helpful in determining the use of various marketing functions by banks, especially as it relates to their size.

Advertising

Virtually all banks spent money on advertising, and within that function, newspapers were the most widely used medium. While 80% to 95% of smaller banks used newspapers, usage increases to 92% to 97% among the larger banks.

Directory advertising also was used by most banks, with usage increasing from 54% to 81% of the smaller banks and 75% to 86% of the largest. Radio usage increases with bank size, from a low of 48% at banks with less than $10 million in assets, to a high of 83% to 84% among medium and larger size banks.

Direct response is next most widely used. Among the smallest banks, 37% to 57% use the medium, but usage increases steadily with size to a high of 94% among those banks with $1 billion to $5 billion in assets.

Expenditures for magazines were reported by only about one-fourth of the banks with less than $100 million in assets, but by 49% to 83% of the largest banks.

Use of outdoor and transit advertising also increases with the size of the bank. Only 10% to 12% of banks under $25 million reported using the medium, while 57% to 67% of the larger banks reported using it.

Expenditures for television also increase with size of the bank. Lowest usage is among banks with $10 million to $25 million in assets - 6% to 14% of those banks reported expenditures for television. Among middle tier banks, 37% to 56% reported television expenditures, and among the largest banks 63% to 67% used the medium.

Public Relations

As in prior years of the *Analysis*, most banks reported an expenditure for the public relations function. The lowest use was among banks with $10 million to $25 million in assets, where 89% reported such expenditures. Among other small banks, usage ranges from 92% to 97%. Among the larger banks, 83% to 100% reported some type of expenditure for public relations.

Donations are one of the most frequent expenditures especially among banks under $1 billion, with usage ranging from 79% to 95% of banks in that group. It should be noted that donations or contributions also frequently are reported as budget items separate from the marketing budget, as may be the case in banks over $1 billion where 67% to 76% of banks reported them as part of the public relations budget.

More than two thirds of banks overall reported an expenditure for special events, such as seminars, anniversaries, or open house functions. Banks under $100 million were somewhat less likely to report such an expense (41% to 68%) than banks over $100 million (67% to 75%).

Stockholder/investment community relations also were reported as a marketing expense for more than one half of all banks, with usage increasing from only 20% among banks under $10 million to as much as 65% among banks over $1 billion.

Use of publications such as newsletters increases with asset size of the bank, from only 8% to 20% of banks under $100 million to 54% to 67% among banks over $100 million.

Expenditures for media relations vary widely with bank size and show a pronounced increase among larger banks. For example, only 4% to 12% of the banks under $100 million reported such expenditures. But 19% to 58% of banks over $100 million made expenditures for media relations.

Public relations consultants are used by fewer than 10% of banks under $100 million. However, among larger banks their use increases to 20% to 33%.

Sales Promotion

Sales promotion activities such as specialties and point of sale signage are used by most banks, especially the larger institutions.

Overall usage is slightly under 90%, with those banks under $100 million ranging between 64% and 93%. Among those banks over $100 million, usage is between 90% and 100%.

The most frequent expenditures are for specialties such as giveaways — key chains, pens, calendars, etc. However, among those banks with more than $5 billion in assets, usage actually declines to 50%.

The percentage of banks which reported expenditures for point of sale materials, such as lobby signage, increases from a low of 12% among the smaller banks to a high of 79% among those banks with $500 million to $1 billion in assets.

Employee incentives are used by 11% to 40% of those banks under $100 million, while their use increases to a high of 56% among those banks with $250 million to $500 million in assets.

Sales promotion activities used less often include premiums, reported by less than 10% of banks under $100 million and only 20% to 42% of the banks over $100 million in assets.

Newcomer services are used by 4% to 25% of the banks under $100 million and by 16% to 26% of the banks over $100 million.

Staff Sales/Customer Relations

Approximately one half of banks reported an expenditure for staff sales/customer relations training. Within this function, most often the expenditures are for external expenses, such as consultant fees and training materials or facilities. Among the smaller banks, 11% to 31% reported external expenses, compared to 29% to 50% of the larger banks.

Internal expenses such as for printing and program development were reported by about one fourth of responding banks. Fifteen per cent to 23% of banks under $100 million reported expenses compared to 28% to 50% of the larger banks.

Marketing Research

Less than one-half of the responding banks reported an expenditure for marketing research, with the majority of those being larger institutions. For example, 9% to 37% of banks under $100 million reported an expenditure for research compared to 44% to 100% of the banks over $100 million.

Within research, most expenditures occur for external expenses such as consultants, field firms and data processing. These types of expenses were reported at 4% to 21% of the banks under $100 million and at 28% to 92% of the banks over $100 million.

Internal nonsalary expenses for research were reported by only 1% to 13% of the smaller banks and by 10% to 50% of the larger banks.

TABLE 4
PERCENTAGE OF BANKS REPORTING MARKETING EXPENDITURE OF EACH TYPE IN 1989 BY ASSET SIZE

(All Reporting Banks - 1989, Precentages)

Expenditure Type	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
ADVERTISING									
Magazines (consumer, trade, etc.)	28%	23%	27%	26%	36%	49%	67%	69%	83%
Directories (telephone, bank, city, etc.)	56	54	73	81	85	84	81	86	75
Newspapers	80	87	90	95	96	97	94	92	92
Television	12	6	14	29	37	51	56	63	67
Radio	48	63	67	83	84	81	83	80	83
Direct Response (direct mail, literature, lists, postage, stuffers, telemarketing)	52	37	58	68	77	77	90	94	92
Outdoor & Transit (billboards, taxi/bus, train cards, etc.)	12	10	28	52	57	58	67	67	58
Production Expenses (artwork, talent, etc.)	16	21	36	54	72	78	92	90	83
Fees & Commissions (advertising agency, media representative, consultants, etc.)	16	15	29	40	56	55	67	69	83
All Other Advertising	16	21	18	38	28	33	35	33	25
Sub-Total for Advertising	**96**	**100**	**99**	**100**	**100**	**100**	**100**	**100**	**100**
PUBLIC RELATIONS									
Stockholder/Investment Community (annual report, meetings, etc.)	20	30	43	55	54	58	63	65	58
Media Relations (press releases, press conferences, etc.)	*	4	10	12	19	27	42	53	58
Publications (community service publications, newsletters, etc.)	8	20	29	41	54	57	54	55	67
Special Events (seminars, anniversaries, open house, etc.)	48	41	57	68	75	73	81	67	67
Public Relations Consultants Fees	8	9	6	5	5	8	15	20	33
Donations (includes donation advertising—schools, churches, civic clubs)	80	79	87	88	95	90	92	76	67
All Other Public Relations	12	15	28	31	37	31	25	24	17
Sub-Total for Public Relations	**92**	**89**	**96**	**97**	**99**	**98**	**100**	**100**	**83**
SALES PROMOTION									
Net Premium Expense (cost of premiums less revenues from premium sales)	*	6	8	12	21	20	23	29	42
Newcomer Services (non-salary only)	4	6	8	25	26	23	21	16	25
Specialties (giveaways, such as calendars, pens, etc.)	56	65	73	88	85	84	77	73	50
Point-of-Sale Materials (displays, banners, brochures, etc.)	12	21	36	56	64	70	79	71	75
Employee Incentives (non-salary expenses directly related to employee sales/customer relations efforts)	12	11	23	40	53	56	44	53	25
All Other Sales Promotion Expenses	*	11	13	13	19	23	27	12	8
Sub-Total for Sales Promotion	**64**	**73**	**83**	**93**	**93**	**97**	**100**	**90**	**100**
STAFF SALES/CUSTOMER RELATIONS TRAINING									
External Expenses (consultant fees, materials, facilities, etc.)	16	11	23	31	32	34	35	29	50
Non-Salary Internal Expenses (development, printing, classroom, etc.)	16	15	19	23	30	28	29	29	50
All Other Sales-Staff/Customer Relations Training	8	7	18	18	18	23	15	14	17
Sub-Total for Staff Sales/Customer Relations Training	**28**	**30**	**45**	**57**	**52**	**55**	**52**	**53**	**58**
MARKETING RESEARCH									
External Expenses (supplier expenses such as consultants, field firms, data processing firms, etc.)	4	5	14	21	28	45	60	61	92
Non-Salary Internal Expenses	4	4	1	13	16	10	17	29	50
All Other Marketing Research	4	1	2	10	10	15	15	8	25
Sub-Total for Marketing Research	**12**	**9**	**18**	**37**	**44**	**58**	**81**	**76**	**100**
All Other Marketing Expenses	4	1	7	13	15	11	25	20	17
Total Marketing Expenditures	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

* = Less than .5%

BUDGET BY MARKET SIZE AND TYPE

Tables 5, 6 and 7 show the average marketing expenditures by responding banks for the full marketing budget as was done in Table 1. But these tables relate the budget to market factors, such as population size and type, rather than only the asset size.

In Table 5, expenditures for the 36 categories of the marketing budget are shown for four different population sizes:

- Under 100,000
- 100,000 to 500,000
- 500,000 to 1 million
- 1 million or more

Table 5 shows clearly how the size of the market influences the size of banks' marketing budgets. They increase from an average of $78,500 in the markets under 100,000 to a high of $2,022,000 in markets of 1 million or more.

In most of the population segments, spending has increased considerably from the levels spent five years ago (as measured in Edition 3 of the *Analysis*).

For example, in the smallest markets, the 1989 average expenditure of $78,500 is significantly higher than the 1984 average of $63,100, an annual increase of about 4.5%.

In the 100,000 to 500,000 markets, the expenditure has risen from $239,800 to $260,100 or 1.5% annually.

The only population range to show a decline was for those markets with 500,000 to 1 million population where the average expenditure declined from $654,200 in 1984 to the current level of $469,900.

In the largest markets (1 million or more), the average expenditure of $1,712,100 in 1984 has risen to $2,022,000 in 1989 or about 3.4% annually.

Each of the five major functional areas within the marketing budget also fluctuate with the size of the market. Advertising expenditures rise from only $44,000 for the banks in the smallest markets (compared to $39,300 in 1984) to $1,429,800 in the largest (compared to $1,215,500 in 1984).

Banks in general spent less than one half the amount they spent for advertising on public realtions. In the smallest markets, they spent an average of $19,900 (compared to $13,500 in 1984) and in the largest markets spent $292,600 (compared to only $218,200 in 1984).

Spending for sales promotion activities increases from $12,500 in the markets with less than 100,000 population to a high of $171,800 in the markets with 1 million or more in population. Five years ago, the expenditures in the smallest markets were lower ($9,500), but in the larger population areas were higher ($193,500).

Expenditures for staff sales/customer relations training have increased significantly in most markets in the past five years. In the smallest markets, banks spend an average of $4,700 (compared to $4,200 in 1984) and in the largest markets spend $85,000 (compared to $44,800 in 1984).

Marketing research expenditures average $4,600 in the markets with fewer than 100,000 population, and increase to $118,000 in the largest markets. While this year's spending is somewhat lower than 1984's ($5,600) at the smallest banks, it is significantly larger than 1984's at the largest ($101,500).

The distribution of responding banks by market type was similar to that in the 1988 *Analysis*, although there was a slight decline in the percentage of banks in smaller markets (1988 data shown in parenthesis): 61.5% were in markets with less than 100,000 population (65% in 1988); 23.5% in markets with 100,000 to 500,000 (compared to 21.2%); 6.5% in those with 500,000 to 1 million (5.2%), and 8.2% in markets over 1 million (essentially the same as in 1984).

Average and Median Budgets

For another perspective on how population influences the marketing budget, see Tables 6 and 7. Table 6 reports four key statistics for each asset range further broken down into the four population ranges:

- Average expenditure
- Minimum expenditure
- Maximum expenditure
- Median expenditure

To use Table 6, simply select the asset range and market size desired. For example, consider a $400 million bank in a market of 500,000 to 1 million. The average expenditure for marketing was $267,400 in 1989, compared to a median expenditure of $223,600. The lowest expenditure reported was for $119,500 and the highest in these categories was $490,500.

Continuing the example, the average expenditure for the same size bank in the smallest markets is only $223,400. It is higher in the markets with 100,000 to 500,000 ($293,200 on average), and in markets with more than 1 million population, it is $269,100.

(Continued on page 22)

TABLE 5
AVERAGE MARKETING EXPENDITURES BY EXPENDITURE TYPE AND POPULATION SIZE
(All Reporting Banks - 1989, $000)

Expenditure Type	Population Size			
	Under 100,000	100,000-500,000	500,000-1 Million	1 Million or More
ADVERTISING				
Magazines (consumer, trade, etc.)	$ 2.4	$ 10.0	$ 18.6	$ 112.1
Directories (telephone, bank, city, etc.)	2.6	6.3	13.5	29.7
Newspapers	15.1	46.3	99.8	381.9
Television	13.4	39.5	86.0	489.2
Radio	10.1	27.7	42.6	187.8
Direct Response (direct mail, literature, lists, postage, stuffers, telemarketing)	4.1	15.3	40.0	249.8
Outdoor & Transit (billboards, taxi/bus, train cards, etc.)	7.6	18.1	36.3	58.5
Production Expenses (artwork, talent, etc.)	8.3	28.8	52.7	240.9
Fees & Commissions (advertising agency, media representative, consultants, etc.)	8.7	22.1	34.5	172.4
All Other Advertising	6.5	21.7	26.9	201.0
Sub-Total for Advertising	**44.0**	**155.5**	**320.0**	**1429.8**
PUBLIC RELATIONS				
Stockholder/Investment Community (annual report, meetings, etc.)	5.1	23.2	25.4	74.3
Media Relations (press releases, press conferences, etc.)	1.2	1.9	14.1	25.7
Publications (community service publications, newsletters, etc.)	4.9	7.5	23.3	51.5
Special Events (seminars, anniversaries, open house, etc.)	6.2	13.8	19.6	74.5
Public Relations Consultants Fees	3.1	14.0	35.9	26.5
Donations (includes donation advertising—schools, churches, civic clubs)	9.1	21.1	23.6	151.1
All Other Public Relations	7.5	19.1	17.8	49.7
Sub-Total for Public Relations	**19.9**	**55.2**	**82.8**	**292.6**
SALES PROMOTION				
Net Premium Expense (cost of premiums less revenues from premium sales)	6.2	11.5	12.6	41.7
Newcomer Services (non-salary only)	1.4	4.8	3.0	13.5
Specialties (giveaways, such as calendars, pens, etc.)	6.7	11.2	15.4	22.0
Point-of-Sale Materials (displays, banners, brochures, etc.)	3.7	13.8	18.2	133.7
Employee Incentives (non-salary expenses directly related to employee sales/customer relations efforts)	5.0	16.2	16.4	64.3
All Other Sales Promotion Expenses	7.5	15.3	5.2	79.2
Sub-Total for Sales Promotion	**12.5**	**35.8**	**45.0**	**171.8**
STAFF SALES/CUSTOMER RELATIONS TRAINING				
External Expenses (consultant fees, materials, facilities, etc.)	3.2	10.1	11.3	71.0
Non-Salary Internal Expenses (development, printing, classroom, etc.)	2.4	4.9	4.7	23.7
All Other Sales Staff/Customer Relations Training	4.2	4.3	5.1	53.6
Sub-Total for Staff Sales/Customer Relations Training	**4.7**	**12.1**	**18.5**	**85.0**
MARKETING RESEARCH				
External Expenses (supplier expenses such as consultants, field firms, data processing firms, etc.)	4.6	12.1	17.7	124.5
Non-Salary Internal Expenses	1.7	7.0	2.2	31.6
All Other Marketing Research	3.8	4.0	3.3	8.5
Sub-Total for Marketing Research	**4.6**	**12.2**	**15.6**	**118.0**
All Other Marketing Expenses	13.4	26.4	32.3	212.4
Total Marketing Expenditures	**78.5**	**260.1**	**469.9**	**2022.0**

TABLE 6
AVERAGE AND MEDIAN MARKETING EXPENDITURES BY POPULATION SIZE AND ASSET SIZE
(All Reporting Banks - 1989, $000)

Population Size	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Under 100,000									
Number of Reporting Banks	24	74	96	108	148	33	5		
Average Expenditure	**$ 14.2**	**$ 17.3**	**$ 29.7**	**$ 57.4**	**$119.0**	**$223.4**	**$536.0**		
Minimum Expenditure	1.3	.6	3.0	7.5	13.0	75.0	285.0		
Maximum Expenditure	74.0	75.2	75.5	183.5	440.1	562.6	879.6		
Median Expenditure	**6.0**	**13.9**	**26.2**	**52.1**	**100.3**	**202.0**	**355.0**		
100,000 - 500,000									
Number of Reporting Banks	d	8	16	27	69	32	22	12	
Average Expenditure		**27.8**	**54.8**	**72.8**	**163.9**	**293.2**	**603.5**	**963.6**	
Minimum Expenditure		2.4	5.5	12.6	31.9	113.3	192.9	290.0	
Maximum Expenditure		46.5	264.5	252.8	440.4	569.6	1003.0	1662.0	
Median Expenditure		**24.6**	**39.3**	**60.0**	**165.0**	**260.1**	**599.0**	**775.0**	
500,000 - 1 Million									
Number of Reporting Banks			3	4	12	13	10	10	
Average Expenditure			**25.7**	**122.5**	**189.1**	**267.4**	**668.2**	**1144.1**	
Minimum Expenditure			16.6	80.9	70.7	119.5	302.0	610.0	
Maximum Expenditure			39.5	223.5	327.1	490.5	1257.9	2005.0	
Median Expenditure			**20.6**	**86.0**	**168.2**	**223.6**	**607.5**	**870.0**	
1 Million or More									
Number of Reporting Banks			4	3	8	6	7	26	12
Average Expenditure			**44.4**	**46.8**	**165.8**	**269.1**	**586.2**	**1387.0**	**7502.3**
Minimum Expenditure			34.9	22.0	93.0	145.0	239.6	311.0	1805.0
Maximum Expenditure			54.7	80.4	244.0	521.8	1323.0	2500.0	18820.0
Median Expenditure			**39.0**	**38.0**	**132.5**	**220.0**	**455.6**	**1135.0**	**7230.0**

d — Disclosure: Reporting this data could make it possible to identify an individual responding bank.

TABLE 7
AVERAGE AND MEDIAN MARKETING EXPENDITURES BY POPULATION SIZE AND MARKET TYPE
(All Reporting Banks - 1989, $000)

Population Size	Market Type				
	More than One State	Statewide	Urban	Suburban	Rural
Under 100,000					
Number of Reporting Banks	d	3	56	87	333
Average Expenditure		**$516.8**	**$138.5**	**$133.0**	**$ 55.4**
Minimum Expenditure		166.7	8.0	3.2	.6
Maximum Expenditure		879.6	818.6	562.6	369.0
Median Expenditure		**504.0**	**92.0**	**82.5**	**40.0**
100,000 -500,000					
Number of Reporting Banks	6	5	63	86	27
Average Expenditure	**382.4**	**475.8**	**277.2**	**241.2**	**213.5**
Minimum Expenditure	179.1	81.6	2.4	5.5	22.2
Maximum Expenditure	1057.1	980.5	1451.0	1662.0	1339.0
Median Expenditure	**226.7**	**226.7**	**204.6**	**148.0**	**126.2**
500,000 - 1 Million					
Number of Reporting Banks	d	9	15	25	
Average Expenditure		**903.0**	**196.8**	**442.3**	
Minimum Expenditure		347.0	20.6	16.9	
Maximum Expenditure		1753.0	490.5	1465.0	
Median Expenditure		**842.0**	**135.0**	**273.5**	
1 Million or More					
Number of Reporting Banks	9	15	24	18	
Average Expenditure	**4433.2**	**2841.8**	**1557.3**	**752.9**	
Minimum Expenditure	39.0	220.0	22.0	80.4	
Maximum Expenditure	18820.0	7589.7	9437.0	2370.9	
Median Expenditure	**2325.0**	**1198.6**	**952.5**	**455.6**	

d — Disclosure: Reporting this data could make it possible to identify an individual responding bank.

The structure of Table 7 is similar to Table 6, except instead of relating population size to asset size, it is related to the type of market in which the bank competes:

- More than one state
- Statewide
- Urban
- Suburban
- Rural

For example, consider an urban market with 500,000 to 1 million in population. The average bank expenditure is $196,800 and the median expenditure is $135,000.

These tables can help you identify not only how banks similar to yours are spending their marketing budget, but also how your competitors are likely to be spending. Keep in mind other factors which influence spending, such as media availability and costs in each market and the demographics of your market.

The strategic direction of your bank also is a key factor. Banks of similar size and similar markets will spend differently if one, for example focusses on the mass retail market while the other targets commercial customers.

An important aspect of the budgeting process is the allocation of the budget to various services in the bank and the markets which use those services.

Banks which participate in the *Analysis* are asked to indicate how their marketing expenditures for the year are allocated among the following types of services:

- Retail (to individuals)
- Commercial/Corporate (to businesses)
- Trust
- Institutional

Tables 8 through 12 show how the allocation changes based on various factors, such as asset size of the bank, and population and type of market. For most banks, retail services accounts for the largest share of the budget, especially among the smallest and largest banks.

As shown in Table 8, among the banks with less than $100 million in assets, 58.1% to 61.9% of the total budget is allocated to retail services for individuals. Among middle tier banks, the allocation ranges from 51.6% to 59.9% and among the largest banks, it increases to 64% to 69.8%

The moderate drop in retail emphasis among some middle tier banks is consistent with prior years data in the *Analysis*. Five years ago, both smaller and larger banks allocated approximately 63% to 69% of their budget to retail while middle tier banks lowered the portion to as low as 54%.

The portion of the budget allocated to commercial/corporate marketing tends to decline as the size of the bank increases. For example, among the banks under $100 million in assets, spending is relatively flat at 20.8% to 22.1%. However, among middle tier banks it declines to 13.5% to 19% and among the largest banks is only 9.9%. This also was the general spending pattern five years ago, as measured by the *Analysis*.

While commercial/corporate allocations decline with bank size, the proportion spent on trust services tends to increase. For example, among the banks with less than $100 million in assets, the allocation varies from less than 1% to 5.6%. For banks over $100 million, the proportion increases to 3.9% to 6.3%.

Institutional marketing shows a pattern which is opposite that for retail services. It is generally lower among the smallest and largest banks, but increases substantially among the middle tier banks. For example, 7.5% to 15.9% of the smallest banks' budgets are allocated to institutional marketing, and 13% to 14% of the largest banks, while 18.7% to 22.5% of the middle tier's budgets are spent on institutional marketing. This pattern also was evident in the 1984 *Analysis*.

Percentage Allocations

The percentage of responding banks which spent money on each type of service is shown in Table 9. Again, retail services is the category most often used, with 83% to 100% of banks reporting an expenditure, depending on asset size.

Larger banks are more likely to allocate money to commercial/corporate marketing, with 82% to 92% reporting such an expenditure.

Trust marketing increases with the size of the bank. For example, only 6% to 29% of the banks under $100 million reported an expenditure for trust, while 41% to 77% of those over $100 million did.

The incidence of spending for institutional services increases with asset size, too. Among the smaller banks, only 22% to 60% reported an expenditure, while among the larger banks 67% to 82% did.

Expenditures for marketing of all other types of services occur at 8% to 28% of responding banks.

TABLE 8
PERCENTAGE OF REPORTING BANKS' BUDGETS SPENT ON EACH SERVICE IN 1989 BY ASSET SIZE
(All Reporting Banks - 1989, Percentages)

Service Type	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Retail Services (individuals)	61.9%	65.1%	59.6%	58.1%	51.6%	58.9%	59.9%	64.0%	69.8%
Commercial/Corporate (business)	20.8	21.3	22.1	21.6	19.0	15.1	13.5	15.4	9.9
Trust	5.6	.2	1.0	2.2	3.9	5.0	6.3	4.3	6.3
Institutional	7.5	10.8	13.8	15.9	22.5	19.0	18.7	14.0	13.0
Other	4.2	2.5	3.5	2.1	3.0	1.7	2.6	2.0	1.1

SHARE OF EXPENDITURES BY ASSET GROUP

(data compiled from Table 8)

Figure D

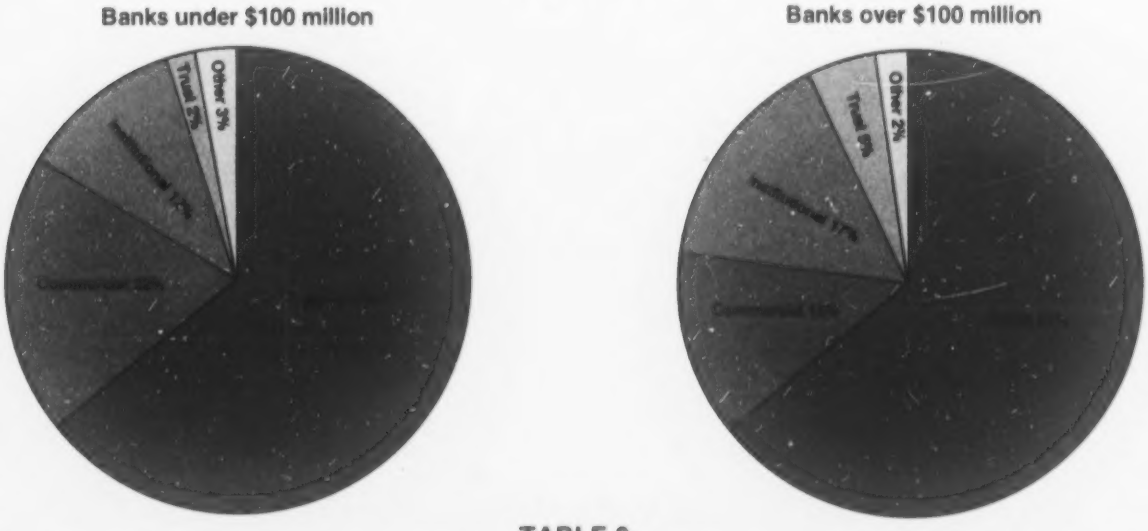


TABLE 9
PERCENTAGE OF REPORTING BANKS MARKETING EACH SERVICE IN 1989 BY ASSET SIZE

(All Reporting Banks - 1989, Percentages)

Service Type	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Retail Services (individuals)	83%	98%	96%	98%	96%	99%	100%	100%	100%
Commercial/Corporate (business)	67	72	81	91	87	82	83	89	92
Trust	6	3	12	29	46	41	67	77	67
Institutional	22	38	49	60	82	80	74	70	67
Other	17	8	14	14	16	14	20	28	17

Amount of Expenditures

While Table 9 showed the *percentage* of the marketing budget spent on each type of service, Table 10 shows the *amount* of the average expenditure for each service based on the asset size of the bank.

The average expenditure for retail services in the banks under $100 million ranged from $10,600 to a high of $35,700. Among banks with more than $100 million in assets, spending ranges from $71,800 to a high of $4,926,000.

The next highest level of spending is for institutional marketing, ranging between $7,200 to $19,500 in the banks under $100 million, and from $38,900 to $1,728,600 in the banks over $100 million.

Spending for commercial/corporate marketing increases steadily with bank size, from $3,800 to $14,200 in the banks under $100 million, and from $32,600 to $843,900 in the banks over $100 million.

Similar data is shown for median expenditures in Table 11. Consistent with earlier tables, the median expenditures shown here are lower than the average expenditure for most categories.

Another influence on the type of service promoted and the expenditure for it is the size of the market. Table 12 shows how spending for each type of service varies with the population size.

There is a positive correlation between population and the amount spent on marketing, because larger markets contain larger banks with larger budgets.

In markets of 100,000 or less population, spending averages $46,100 for retail services. That compares to nearly three times as much, $140,900 in markets with 100,000 to 500,000 population. In the next population size, 500,000 to 1 million, spending nearly doubles again to $293,200. In the largest markets with 1 million or more population spending for retail services averages $1,428,200.

Spending for institutional marketing increases from $29,100 in the smallest markets to $553,000 in the largest. Commercial/corporate marketing ranges from $16,300 in the smallest markets to a high of $286,500 in the largest, and trust marketing ranges from $13,300 in the smallest to a high of $285,000 in the largest markets.

TABLE 10
AVERAGE MARKETING EXPENDITURE BY SERVICE TYPE AND ASSET SIZE
(All Reporting Banks - 1989, $000)

Service Type	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Retail Services (individuals)	$10.6	$11.3	$20.8	$35.7	$71.8	$160.6	$342.1	$782.6	$4926.0
Commercial/Corporate (business)	3.8	6.4	9.4	14.2	32.6	50.7	94.4	185.1	843.9
Trust		2.3	10.3	5.0	12.2	39.6	47.8	68.8	896.6
Institutional	11.3	7.2	8.2	19.5	38.9	70.3	165.4	249.2	1728.6
Other	2.3	11.4	9.8	7.5	23.9	36.4	75.3	101.4	316.4

TABLE 11
MEDIAN MARKETING EXPENDITURE BY SERVICE TYPE AND ASSET SIZE
(All Reporting Banks - 1989, $000)

Service Type	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Retail Services (individuals)	$ 4.0	$ 8.2	$17.5	$32.2	$54.3	$150.7	$321.3	$722.8	$4678.4
Commercial/Corporate (business)	1.5	4.7	6.0	9.7	19.9	31.4	65.5	111.0	420.0
Trust	74.0	.9	1.2	2.6	9.0	17.1	35.3	44.2	372.5
Institutional	2.4	3.3	5.0	10.8	26.1	43.4	91.4	155.0	1084.5
Other	2.4	11.0	3.4	6.2	12.8	13.0	40.1	55.5	210.0

TABLE 12
AVERAGE MARKETING EXPENDITURE BY SERVICE TYPE AND POPULATION SIZE
(All Reporting Banks - 1989, $000)

Service Type	Population Size			
	Under 100,000	100,000-500,000	500,000-1 Million	1 Million or More
Retail Services (individuals)	$46.1	$140.9	$293.2	$1428.2
Commercial/Corporate (business)	16.3	46.8	74.6	286.5
Trust	13.3	31.5	41.6	285.0
Institutional	29.1	77.0	99.6	553.0
Other	12.8	52.9	108.1	91.9

Each year, the *Analysis* studies a different specialized area of bank expenditures. In this year's questionnaire, banks were asked to report on their use of institutional marketing.

Most banks spend money on one or more types of institutional marketing programs during the year. These expenditures can encompass a wide variety of programs, including campaigns to improve a bank's image, change its name, expand its awareness or similar objectives.

The questions were designed specifically to measure what types of institutional marketing banks conduct and how their expenditures for it are changing.

The information gathered for this section includes:

- The general institutional topics responding banks include in their marketing allocation.
- Comparison of 1989 to 1990 anticipated institutional expenditures.
- The advertising and public relations aspects affected by institutional marketing.

The findings from this year's special section are reported in Tables 13 through 15 and in Figures E and F.

Topics Promoted

The institutional marketing topic which banks most often include in their marketing budget is general image advertising, used in varying degrees by both small and large banks as shown in Table 13. Lowest usage was among banks with $10 million to $25 million in assets where 75% reported using general image campaigns. (Note: all statistics in this section refer to banks which answered these questions, or 74.3% of the total respondents). Approximately 85% to 89% of middle range banks reported such expenditures as did 100% of the very smallest and very largest banks.

Name awareness was promoted about equally across all asset ranges. Fifty per cent of the smallest banks promoted awareness compared to 33% to 45% of the middle range banks and 42% of the banks with over $1 billion in assets.

About 10% of banks overall reported promoting a merger (with or without a name change). Lowest usage was among those banks with less than $25 million in assets where 3% or less promoted a merger, compared to 17% to 19% of the middle range banks and only 8% of the banks with more than $5 billion in assets.

Fewer than 10% of banks promoted a new logo, with most of those being in the middle range of banks (4% to 14%).

Fewer than 5% of banks which used institutional marketing reported expenditures on a name change without a merger. Highest use was among banks with more than $5 billion in assets - 8%.

TABLE 13
TOPICS INCLUDED IN INSTITUTIONAL MARKETING ALLOCATION
(Among Responding Banks)

	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
General Image Campaign	100%	75%	85%	79%	89%	88%	89%	94%	100%
Name Awareness	50	53	45	40	44	45	33	42	42
Merger (with or without name change)		3	8	7	7	19	17	21	8
New Logo		6	8	14	9	4	14		8
Name Change Without Merger		6		2	3		6	3	8
Other		9	8	10	12	3	8		

TABLE 14
ASPECTS OF MARKETING BUDGET AFFECTED BY INSTITUTIONAL MARKETING
(Among Responding Banks)

Marketing Function	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Advertising (net)	**90%**	**94%**	**95%**	**96%**	**99%**	**96%**	**100%**	**100%**	**100%**
Newspapers	80	81	81	84	87	84	79	74	91
Radio	40	57	51	70	70	62	56	38	64
Signage	10	15	15	41	45	54	59	35	55
Directories	20	15	24	35	43	49	41	47	78
Television	20	6	12	26	33	32	41	56	73
Direct Response	10	23	24	37	28	24	23	32	27
Magazine		2	9	11	17	27	44	65	55
Public Relations (net)	**90**	**87**	**88**	**91**	**90**	**86**	**87**	**79**	**64**
Donations	90	70	62	70	65	65	44	53	45
Special Events	40	49	51	70	60	58	69	47	55
Stockholder Relations (Annual Report, etc.)	10	19	23	33	36	45	56	44	45
Publications (Newsletters)	10	15	19	19	30	51	56	47	36
Media Relations	10	15	21	24	21	24	33	44	64

Marketing Topics Affected

Nearly all of the banks responding to this question indicated that one or more advertising functions are affected by their institutional marketing, and most indicated that some public relations functions are affected, too.

Within advertising, 74% to 91% of banks said that their spending for newspapers was affected by institutional marketing as shown in Table 14. This was followed by institutional radio advertising, used at 38% to 70% of all banks, with highest influence in the middle tier banks.

Directories, signage and television were used in slightly less than one-half of the responding banks. And, direct response and magazine advertising was influenced by institutional marketing in about one-fourth of banks. However, at the largest banks, magazines played a more important role with 44% to 65% of banks using them for institutional marketing programs.

Public relations functions are influenced by institutional marketing topics in 87% to 91% of community banks, but in only 64% to 90% of the larger banks.

The expenditure affected most often is for donations, at 62% to 90% of community banks. At middle tier banks, the use of donations for institutional purposes ranges from 44% to 65% and declines to as low as 45% at the largest banks.

Expenditures for marketing institutional special events were reported at 40% to 70% of all responding banks.

Institutional expenditures for stockholder relations generally increase with the size of the bank, rising from only 10% at banks with less than $10 million in assets to as high as 44% to 56% at the largest banks.

Newsletters for institutional marketing purposes are used at only 10% to 19% of community banks, but are more common in the larger banks where 36% to 56% reported using them.

Media relations spending for institutional marketing also increases directly with bank size, from 10% in the smaller banks to as high as 64% in the banks with $5 billion or more in assets.

TABLE 15
EXPENDITURES FOR INSTITUTIONAL MARKETING FOR 1990 COMPARED TO 1989
(Among Responding Banks)

Expenditure Change	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
About the Same	60%	65%	63%	64%	53%	46%	43%	58%	58%
Increased	30	27	27	24	31	35	43	22	8
Decreased	10	8	10	12	16	19	15	19	33

Changes in Spending

When asked how their expenditures on institutional marketing would change in the next 12 months, most respondents said it would be about the same, as shown in Table 15.

Among banks under $100 million in assets, 60% to 65% said they would spend about the same amount. Among middle tier banks, 43% to 53% said they would

spend the same, and among the largest banks, 58% said their budget would not change.

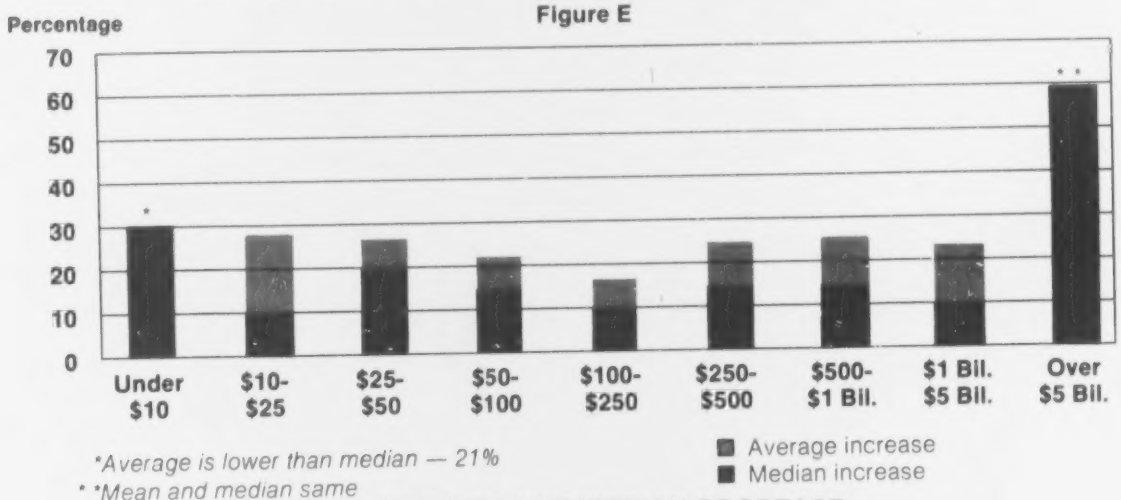
In banks which said their budget would change, most said they would **increase** their expenditures. For example, among banks under $100 million in assets, 24% to 30% said their budget would increase. At middle tier banks, 31% to 43% said they would increase spending. But at the larger banks, over $1 billion in assets, only 8% to 22% intend to increase spending on institutional marketing.

Only 8% to 12% of banks under $100 million intend to **decrease** their spending on institutional marketing, as do 15% to 19% of middle tier banks and 19% to 33% of the largest banks.

AVERAGE AND MEDIAN INCREASE

(Among those banks planning to increase institutional expenditures)

Figure E



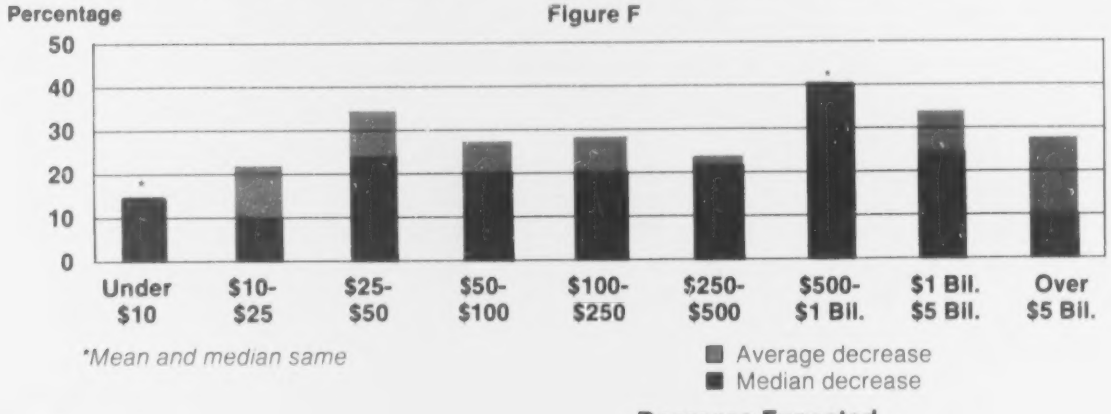
*Average is lower than median — 21%

**Mean and median same

AVERAGE AND MEDIAN DECREASE

(Among those banks planning to decrease institutional expenditures)

Figure F



*Mean and median same

Increase Expected

The amounts of the expected increase and decrease for institutional marketing budgets are shown in Figures E and F. Each graph shows both the average and the median change expected.

As shown in Figure E, the average increase for banks under $100 million in assets (at those banks anticipating an increase) is 21% to 28%. At middle tier banks, the increases range from 16% to 26%, and they increase to 23% to 60% at the largest banks.

The median increases in all cases except those banks under $10 million are less than the average increase. Median increases range between 10% and 20% for the remaining asset ranges.

Decrease Expected

The average decrease in expenditures expected (at those banks expecting a decrease) is smallest among the community banks. For those under $100 million in assets it ranges from 15% to 35%. At middle tier banks, the average decrease ranges from 24% to 40%, and at the largest banks, those over $1 billion, it ranges from 27% to 33%.

The median decrease expected is, overall, slightly greater than the median increase expected as shown in Figure E. It ranges from 10% to 25% in the community banks, and increases to 20% to 40% in the middle tier banks. In those banks with more than $1 billion in assets, the median decrease expected is 10% to 25%.

USE OF ADVERTISING AGENCIES

Each year, the *Analysis* measures the use of advertising agencies by banks and the amount of compensation they are paid.

Tables 16 through 20 show which banks are using agencies as their primary source of advertising, and how agency use varies with asset size, and market type and size. Figure G shows how use varies between banks under $100 million in assets and those with more than $100 million.

Among the smaller banks, 79% use bank staff as their primary source for advertising. This compares closely with the 78% usage last year and is higher than the 74% of five years ago. Bank staff usage is highest, 86%, in banks with less than $10 million.

At banks with less than $100 million in assets, use of advertising agencies was the same both in 1989, 1988, and five years ago at 17%. Similarly, use of holding companies as the source of advertising was about the same in 1989, 2%, as in 1988, 3%, but slightly lower than it was five years ago, 5%.

Among banks with more than $100 million in assets, there is a much stronger use of agencies. While 67% of banks in this group use agencies, more did in the prior year when 71% of banks said agencies were their primary source of advertising, and five years ago when 77% said they were. Their use is directly correlated to bank size, increasing from 40% of those banks with $100 million to $250 million in assets, increasing to a high 83% to 84% for those with more than $1 billion in assets.

Use of bank staff declines steadily with asset size, from 50% of banks with $100 million to $250 million to a low of only 8% for those with more than $5 billion in assets.

Use of holding company staff in general is highest among middle tier banks where 9% to 11% say they are the bank's primary source of advertising.

Table 17 shows how the population size of a market influences agency use. In the smallest markets, 70% of banks rely on bank staff, 24% rely on agencies and only 5% rely on holding companies. In the markets with 100,000 to 500,000 population, use of bank staff declines to 43% and agency use increases to 49%, while use of bank staff remains about the same at 6%.

In markets of 500,000 to 1 million, use of bank staff declines to 24% and agency use increases to 71%, while only 2% rely on holding company staff. In the largest markets of more than 1 million population, only 14% rely on bank staff while 78% use agencies and 6% use their holding company staff.

The influence of the type of market on agency use is shown in Table 18. In markets of more than one state, agency use is most prevalent, 58%, followed by use of bank staff, 26% and holding company staff with 16%. In statewide markets, nearly all banks, 94%, rely on advertising agencies as their primary source of advertising. Only 6% rely on bank staff and none said they relied on their holding company staff.

Urban and suburban markets are roughly comparable, with agency use slightly more prevalent in urban, 51%, than suburban (46%).

In rural markets the majority of banks, 74%, use bank staff. Only 20% use advertising agencies and 4% use holding company staff. One possible reason for the lower use of agencies in rural markets is that the majority of these banks are smaller than those in urban and suburban markets and thus don't have the financial resources to compensate agencies. Furthermore, agencies are not located in some rural markets, making their use logistically more difficult for rural banks.

SOURCES FOR CREATING ADVERTISING

Figure G

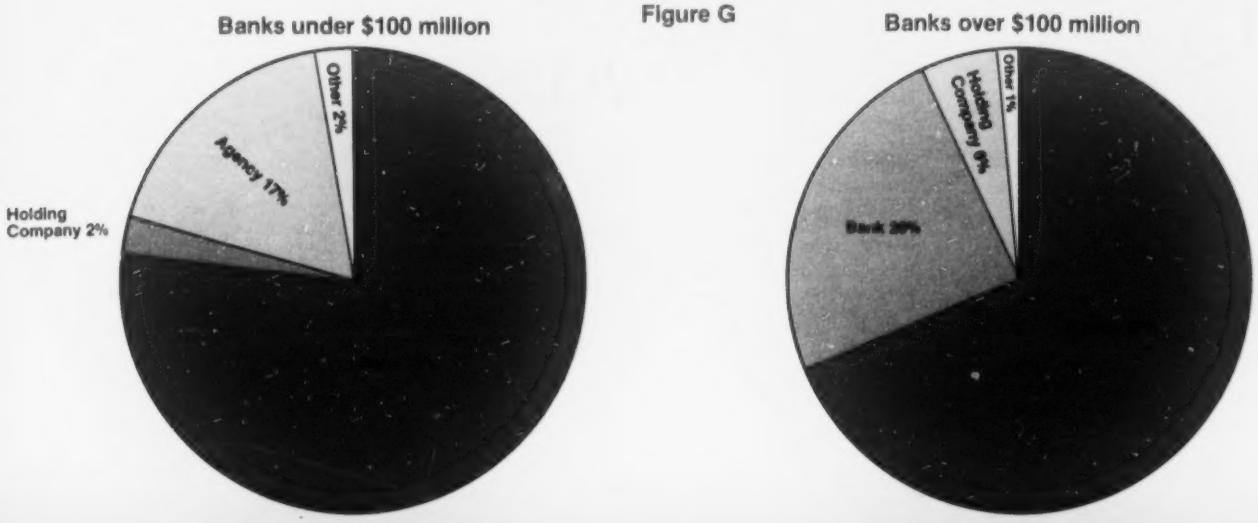


TABLE 16
BANK'S PRIMARY SOURCE FOR CREATING ADVERTISING DURING 1989
(All Reporting Banks - 1989, Percentages)

Primary Source	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Used Bank Staff	86%	85%	77%	68%	50%	30%	26%	14%	8%
Used Holding Company Staff		4	3	3	9	11		2	8
Used Outside Agency	14	7	18	27	40	56	74	84	83
Other		4	3	2	1	2			

TABLE 17
BANK'S PRIMARY SOURCE FOR CREATING ADVERTISING BY POPULATION
(All Reporting Banks - 1989, Percentages)

Primary Source	Population Size			
	Under 100,000	100,000-500,000	500,000-1 Million	1 Million or More
Used Bank Staff	70%	43%	24%	14%
Used Holding Company Staff	5	6	2	6
Used Outside Agency	24	49	71	78
Other	1	2	4	2

TABLE 18
BANK'S PRIMARY SOURCE FOR CREATING ADVERTISING BY MARKET TYPE
(All Reporting Banks - 1989, Percentages)

Primary Source	Market in Which Their Bank Competes for Retail Business				
	More than One State	Statewide	Urban	Suburban	Rural
Used Bank Staff	26%	6%	38%	47%	74%
Used Holding Company Staff	16		9	6	4
Used Outside Agency	58	94	51	46	20
Other			2	1	2

TABLE 19
HOW AGENCY WAS COMPENSATED FOR SERVICES IN 1989
(Banks Which Use Agencies)

Compensation Type	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Fees Only	67%	50%	68%	58%	42%	48%	52%	31%	78%
Media Commissions Only	33			3	1	2	9	8	11
Both Fees and Commissions		50	32	39	57	50	39	61	11

TABLE 20
AVERAGE EXPENDITURE FOR FEES AND COMMISSIONS OR FEES ONLY AT AN OUTSIDE ADVERTISING AGENCY
(Banks Which Use Agencies)

Compensation	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Number of Reporting Banks		6	21	36	87	42	28	26	8
Average Expenditure		$10.1	$11.8	$12.5	$19.6	$32.2	$49.0	$144.0	$611.8
Median Expenditure		6.8	6.0	6.2	15.0	27.8	46.0	100.0	560.0

Compensation Method

Banks which participate in the *Analysis* are asked to indicate which of the following methods they use to compensate their advertising agency:

- Fees only
- Media commissions only
- Both fees and media commissions

The results in Table 19 show how the size of the bank influences the method it uses to compensate its agency. For example, among smaller banks, use is about equally split between "fees only" and "fees and commissions." But among larger banks, there is a slightly higher tendency to use both fees and commissions.

In banks with less than $100 million in assets, 32% to 50% use both fees and commissions. Fifty per cent to 68% of these banks use "fees only," with highest use among the smaller banks.

Among the banks with more than $100 million in assets, "fees only" are used by 31% to 78% of banks while both fees and commissions are used by 11% to 61% of banks. In general, the use of "fees only" declines as asset size increases (up to the final category of over $5 billion) while the use of both fees and commissions remain relatively unchanged with asset size. However, use of media commissions increases from 1% to 3% of the middle tier banks to a high of 11% of those banks with more than $5 billion in assets.

Compared to data in the *Analysis* of five years ago, there now is generally higher use of "fees only" as a compensation method and a general decline of "commissions only" or both fees and commission as compensation methods. For example, while only 35% of banks over $100 million in assets relied on "fees only" in 1984, more than 50% do now.

Compensation Amount

To determine how much agencies are paid for their services by banks, responding banks which indicated an advertising agency was their primary source of advertising were asked to report the annual compensation amount.

The questionnaire specifies that the compensation reported should include expenditures for creative, supervisory and account management time, but should exclude production expense such as artwork, or research and public relations fees. When comparing these statistics to your own agency fees, keep in mind that agency compensation methods can be relatively complex, and that there frequently are significant differences in billing methods among agencies. Therefore, use these data as general guidelines rather than absolute or fixed amounts.

Average Expenditure

The average fee paid by bank is shown in Table 20, based on the asset size of the institution. Among community banks fees range from a low of only $10,100 for banks with less than $25 million in assets to $19,600 at banks with $100 million to $250 million in assets. Average compensation increases to a high of $611,800 annually among those banks with more than $5 billion in assets.

Median Expenditure

As in past years of the *Analysis*, there is considerable variance between the average and median expenditure for agencies, with the median being lower.This discrepancy, however, lessens as the size of the bank increases. Median compensation for community banks ranges from $6,800 for those with less than $25 million in assets to $15,000 for those with $100 million to $250 million in assets.

Among middle tier banks, median compensation ranges from $27,800 for those with $250 million to $500 million in assets to $46,000 for those with $500 million to $1 billion in assets.

For the largest banks, median compensation is $100,000 for those with $1 billion to $5 billion in assets and $560,000 for those with more than $5 billion in assets.

TABLE 21
AVERAGE AND MEDIAN MARKETING EXPENDITURES FOR 1988/1989 BY ASSET SIZE
(All Reporting Banks - 1989, $000)

	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
1989 NON-SALARY MARKETING EXPENDITURES									
Number of Reporting Banks	25	82	120	146	239	88	48	49	12
Average Expenditure	**$ 15.9**	**$ 18.2**	**$ 34.7**	**$ 61.9**	**$136.9**	**$272.7**	**$587.7**	**$1237.2**	**$7502.3**
Minimum Expenditure	1.3	6	3.0	7.5	13.0	75.0	154.5	290.0	1805.0
Maximum Expenditure	74.0	75.2	264.5	252.8	440.4	1147.6	1323.0	2500.0	18820.0
Median Expenditure	**7.1**	**15.0**	**27.8**	**53.2**	**115.5**	**234.0**	**515.0**	**1135.0**	**7230.0**
1988 NON-SALARY MARKETING EXPENDITURES									
Number of Reporting Banks	14	57	85	111	198	66	37	38	12
Average Expenditure	**$ 15.4**	**$ 14.3**	**$ 30.6**	**$ 55.6**	**$120.2**	**$226.9**	**$503.5**	**$1170.0**	**$6514.2**
Minimum Expenditure	1.1	1.5	2.0	7.5	20.0	50.0	125.0	185.0	1750.0
Maximum Expenditure	65.0	68.5	200.0	183.5	300.0	527.7	1020.0	3200.0	12000.0
Median Expenditure	**6.2**	**12.0**	**25.0**	**49.0**	**104.0**	**200.0**	**500.0**	**1100.0**	**7000.0**

Comparing 1989 and 1988

A summary comparison of responding banks' marketing budgets for 1988 and 1989 is shown in Table 21.

For each asset range, both the average and median expenditure are shown, along with the minimum and maximums reported.

It should be noted that the source for the 1988 data was information provided by banks in this year's survey of 1989 expenditures and may differ from the data shown in the 7th Edition of the *Analysis* which reported on 1988 expenditures.

Both the average and median figures for all asset ranges showed increases for 1989 over those reported for 1988, although the percentage change varies significantly among the various asset ranges.

Total Industry Expenditures

Table 21 also can be used to create an estimate of what the banking industry at large in the United States spends on marketing, but there are a number of limiting biases. For example, the number of banks in each asset range changes annually, and responding banks, as mentioned earlier, may not have expenditures representative of all banks nationwide.

Readers interested in making such a projection despite these limitations may do so by multiplying the current number of banks in each asset range times the average expenditure for that range, then adding the total of the nine ranges.